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DOCKET NO.: W-01445A-12-0348

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Enclosed please find the recommendation of Administrative Law Judge Sarah N. Harpring. The recommendation has been filed in the form of an Opinion and Order on:

ARIZONA WATER COMPANY  
(RATES)

Pursuant to A.A.C. R14-3-110(B), you may file exceptions to the recommendation of the Administrative Law Judge by filing an original and thirteen (13) copies of the exceptions with the Commission's Docket Control at the address listed below by 4:00 p.m. on or before:

SEPTEMBER 5, 2013

The enclosed is NOT an order of the Commission, but a recommendation of the Administrative Law Judge to the Commissioners. Consideration of this matter has tentatively been scheduled for the Commission's Open Meeting to be held on:

SEPTEMBER 10, 2013 AND SEPTEMBER 11, 2013

For more information, you may contact Docket Control at (602) 542-3477 or the Hearing Division at (602) 542-4250. For information about the Open Meeting, contact the Executive Director's Office at (602) 542-3931.

  
JODI JERICH  
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**BEFORE THE ARIZONA CORPORATION COMMISSION**

**COMMISSIONERS**

BOB STUMP - Chairman  
GARY PIERCE  
BRENDA BURNS  
BOB BURNS  
SUSAN BITTER SMITH

IN THE MATTER OF THE APPLICATION OF  
ARIZONA WATER COMPANY, AN ARIZONA  
CORPORATION, FOR A DETERMINATION OF  
THE FAIR VALUE OF ITS UTILITY PLANT AND  
PROPERTY AND FOR ADJUSTMENTS TO ITS  
RATES AND CHARGES FOR UTILITY SERVICE  
FURNISHED BY ITS NORTHERN GROUP AND  
FOR CERTAIN RELATED APPROVALS.

DOCKET NO. W01445A-12-0348

DECISION NO. \_\_\_\_\_

**OPINION AND ORDER**

DATE OF HEARING:	September 18, 2012 (Procedural Conference); May 8, 2013 (Prehearing Conference); May 13 and 14, 2013
PLACE OF HEARING:	Phoenix, Arizona
ADMINISTRATIVE LAW JUDGE:	Sarah N. Harpring
APPEARANCES:	Mr. Steven A. Hirsch, Bryan Cave, LLP, and Mr. Robert W. Geake, Vice President and General Counsel, Arizona Water Company, on behalf of Arizona Water Company;
	Mr. Daniel W. Pozefsky, Chief Counsel, on behalf of the Residential Utility Consumer Office; and
	Mr. Wesley C. Van Cleve, Mr. Charles O. Hains, Mr. Matthew Laudone, and Mr. Scott M. Hesla, Staff Attorneys, Legal Division, on behalf of the Utilities Division of the Arizona Corporation Commission.

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**BY THE COMMISSION:**

This case involves an Application for a permanent rate increase, filed with the Arizona Corporation Commission ("Commission") by Arizona Water Company ("AWC"), in which AWC requested adjustments to the rates and charges for utility service provided by AWC's Northern Group, comprised of two water system divisions known as Navajo (Lakeside and Overgaard) and Verde Valley (Sedona, Pinewood, and Rimrock). AWC and the Commission's Utilities Division ("Staff") have entered into a Settlement Agreement resolving their disputed issues in this matter. The Residential Utility Consumer Office ("RUCO"), the sole intervenor in this matter, is not a signatory to the Settlement Agreement.

**DISCUSSION****I. Procedural History****A. This Docket**

On August 1, 2012,<sup>1</sup> AWC filed with the Commission a permanent rate application using the 2011 calendar year as a test year ("TY") and requesting an increase in rates to generate an increase in combined annual revenue for the Northern Group of approximately \$2,829,974 or 27.95 percent over TY results. (Ex. A-7 at Sched. A-1.) In its application, AWC also requested authority to extend its existing Arsenic Cost Recovery Mechanism ("ACRM") beyond the Verde Valley systems to the rest of the Northern Group;<sup>2</sup> to complete consolidation of the Sedona system's rates with those of the other Verde Valley systems; to implement a Distribution System Improvement Charge<sup>3</sup> ("DSIC"); to implement an Off-Site Facilities Fee for the Sedona system; and to continue AWC's ADEQ Monitoring Assistance Program ("MAP") surcharge. (App.<sup>4</sup> at 5-6.) AWC also proposed TY adjustments and a rate design intended to offset decreasing residential per-customer usage that AWC attributed to conservation. (See Ex. A-7 at 31-36.) With its application, AWC included the direct

<sup>1</sup> At the time AWC filed its rate application in this docket, the rate case for its Eastern Group systems was pending in Docket No. W-01445A-11-0310 ("Eastern Group Docket"). As a result, under Arizona Administrative Code ("A.A.C.") R14-2-103(B)(11)(g), the Commission's usual time clock rule does not apply to this rate case.

<sup>2</sup> The only Northern Group system currently approved to have an ACRM is the Sedona system. (See Decision No. 72375 (May 27, 2011); Decision No. 73662 (February 6, 2013).) Official notice is taken of Decision No. 72375 and Decision No. 73662.

<sup>3</sup> AWC's request ultimately evolved into a request for approval of a System Improvement Benefits mechanism.

<sup>4</sup> Official notice is taken of AWC's application filed in this case on August 1, 2012. The first portion of the application (as opposed to the schedules and testimony included with the application) was not offered as an Exhibit.

1 testimony of William M. Garfield, AWC President and Chief Operating Officer; Joseph D. Harris,  
2 AWC Vice President and Treasurer; Fredrick K. Schneider, AWC Vice President of Engineering;  
3 Joel M. Reiker, AWC Vice President of Rates and Revenues; and Pauline M. Ahern, Principal of  
4 AUS Consultants.

5 On August 30, 2012, Staff issued a Sufficiency Letter stating that AWC's rate application had  
6 met the sufficiency requirements of A.A.C. R14-2-103 and that AWC had been classified as a Class  
7 A utility.

8 On September 11, 2012, a Procedural Order was issued scheduling a procedural conference  
9 for September 18, 2012.

10 On September 12, 2012, RUCO filed an Application to Intervene.

11 On September 18, 2012, a procedural conference was held as scheduled, with AWC, Staff,  
12 and RUCO appearing through counsel. During the procedural conference, RUCO was granted  
13 intervention without objection, and the scheduling for this matter was determined.

14 On September 19, 2012, a Procedural Order was issued scheduling the hearing in this matter  
15 to commence on May 13, 2013, and establishing other procedural requirements and dates.

16 On November 30, 2012, AWC filed a Certificate of Notice showing that the prescribed public  
17 notice of AWC's application and the hearing in this matter had been mailed to AWC's customers as a  
18 billing insert beginning with the October 12, 2012, billing cycle and ending on November 13, 2012.  
19 The Certificate of Notice further showed that the prescribed public notice had been published in the  
20 *Arizona Daily Sun*, the *Verde Independent*, the *White Mountain Independent*, and the *Sedona Red*  
21 *Rock News* on October 12, 14, 16, and 17, 2012, respectively.<sup>5</sup>

22 On February 13, 2013, additional hearing dates were scheduled by Procedural Order due to a  
23 change in the Commission's Open Meeting schedule.

24 On February 21, 2013, Staff filed an unopposed Request for Modification to the Procedural  
25 Schedule, requesting a one-week extension of the deadline for Staff and RUCO to file direct  
26 testimony on revenue requirements and cost of capital and a one-week extension of the deadline for  
27 AWC to file rebuttal testimony.

28 <sup>5</sup> Official notice is taken of this Certificate of Notice, which was not admitted as an Exhibit in this matter.

1 On February 22, 2013, a Procedural Order was issued granting Staff's Request.

2 On February 28, 2013, Staff filed the direct testimony of Jeffrey Michlik, Public Utilities  
3 Analyst V; Katrin Stukov, Utilities Engineer; and John Cassidy, Public Utilities Analyst.

4 On March 1, 2013, RUCO filed the direct testimony of William Rigsby, RUCO Chief of  
5 Accounting and Rates, and Jorn Keller, Public Utilities Analyst V.

6 On March 5, 2013, RUCO filed the direct testimony on rate design of Robert Mease, RUCO  
7 Associate Chief of Accounting and Rates, and Staff filed Mr. Michlik's direct testimony on cost of  
8 service and rate design.

9 On March 13, 2013, Staff filed Notice of Settlement Discussions, stating that the parties might  
10 enter into settlement discussions on or after March 19, 2013.

11 On March 19, 2013, AWC, Staff, and RUCO met and engaged in settlement discussions.

12 On April 4, 2013, AWC filed the Parties' Request for Modification of Procedural Schedule,  
13 stating that certain of the parties had reached a conceptual settlement but needed additional time to  
14 complete and file a settlement agreement. AWC requested that the deadline to file a settlement  
15 agreement be extended by one week, that the deadline for testimony supporting or opposing the  
16 settlement agreement also be extended by one week, that a date for responsive testimony be set, and  
17 that the existing dates for rebuttal testimony and surrebuttal testimony be suspended.

18 On April 8, 2013, a Procedural Order was issued revising the procedural schedule for this  
19 matter consistent with the Parties' Request.

20 On April 12, 2013, AWC filed Notice of Status of Settlement Agreement, stating that the  
21 agreement had not yet been executed in final form and that another update would be filed on April  
22 15, 2013, if the agreement would not be filed that day.

23 On April 15, 2013, Staff filed a Settlement Agreement executed by Staff and AWC, but not  
24 RUCO. The Settlement Agreement relied upon the outcome of the second phase of the Eastern  
25 Group Docket for resolution of the DSIC-type mechanism issue, for which AWC and Staff had  
26 entered a settlement agreement establishing a System Improvement Benefits ("SIB") mechanism in  
27 the Eastern Group Docket, as discussed further below.

28 On April 15, 2013, RUCO filed a Motion to Extend Filing Dates, requesting that the filing

1 dates for testimony supporting or opposing the Settlement Agreement and for responsive testimony  
2 each be extended by one week.

3 On April 17, 2013, AWC and Staff filed responses to the RUCO Motion, with AWC opposing  
4 an extension longer than one business day and requesting that the pre-hearing conference be set for  
5 an earlier date, and Staff taking no position on an extension and not objecting to an earlier pre-  
6 hearing conference date.

7 On April 18, 2013, a Procedural Order was issued extending the filing dates for testimony  
8 concerning the Settlement Agreement, requiring that responsive testimony be filed by the parties, and  
9 moving the pre-hearing conference to May 8, 2013.

10 On April 26, 2013, the parties filed initial testimony concerning the Settlement Agreement,  
11 with Staff filing testimony from Steven M. Olea, Utilities Division Director; RUCO filing testimony  
12 from Mr. Rigsby; and AWC filing testimony from Mr. Reiker.

13 On May 3, 2013, the parties filed responsive testimony concerning the Settlement Agreement,  
14 with Staff filing testimony from Mr. Olea; RUCO filing testimony from Mr. Rigsby; and AWC filing  
15 testimony from Mr. Reiker and Ms. Ahern.

16 On May 6, 2013, RUCO filed a Motion to Incorporate the Record and a Notice of Errata,  
17 requesting that the "record of the recent hearings" in the Eastern Group Docket be incorporated into  
18 the record in this matter. RUCO asserted that incorporation of the record would be preferable to  
19 judicial notice, although judicial notice would be acceptable provided that the record of the Eastern  
20 Group Docket could be cited. RUCO asserted that AWC and Staff agreed with RUCO's Motion.

21 On May 8, 2013, the pre-hearing conference in this matter was held, with AWC, RUCO, and  
22 Staff appearing through counsel. RUCO's Motion was discussed, and it was determined that the  
23 entire Phase 2 record from the Eastern Group Docket, and that portion of the Phase 1 record  
24 pertaining to AWC's requested DSIC, would be incorporated into the record for this matter.  
25 Additionally, the order of witnesses was discussed, and the parties were apprised of several issues to  
26 address at hearing. Also, Staff and AWC filed a Joint Notice of Filing of Table I, and the parties filed  
27 testimony summaries and an Agreed Disputed Issues Matrix.

28 On May 13 and 14, 2013, the evidentiary hearing in this matter was held before a duly

1 authorized Administrative Law Judge of the Commission at the Commission's offices in Phoenix,  
 2 Arizona. At the hearing, AWC, RUCO, and Staff appeared through counsel and provided testimony  
 3 and exhibits. AWC provided the testimony of Mr. Reiker and Ms. Ahern, RUCO provided the  
 4 testimony of Mr. Rigsby, and Staff provided the testimony of Mr. Olea. No members of the public  
 5 attended to provide public comment. At the conclusion of the hearing, RUCO was directed to file a  
 6 late-filed exhibit providing language that counsel for RUCO had stated might resolve its legal  
 7 concerns with the SIB mechanism,<sup>6</sup> and the parties were directed to file briefs by June 18, 2013.

8 On May 23, 2013, RUCO filed its late-filed exhibit regarding language that might resolve  
 9 RUCO's legal issues with the SIB mechanism, stating the following:

10 RUCO has been unable to put a format together which it would feel  
 11 comfortable with. That is not to say it could not be done – just that RUCO  
 12 has not been able to do it yet. The SIB is only one of RUCO's objections  
 13 to the settlement, but if there is language and a method that can resolve the  
 legal issue[,] and there are adequate financial benefits to the ratepayer to  
 offset the obvious benefits to the shareholder[,] RUCO would consider  
 withdrawing its objection to the SIB.<sup>7</sup>

14 On June 18, 2013, the parties filed their briefs.<sup>8</sup>

15 B. The Eastern Group Docket

16 On February 20, 2013, in the Eastern Group Docket, the Commission issued Decision No.  
 17 73736 ("Phase 1 Decision"), establishing new permanent rates for AWC's Eastern Group systems.<sup>9</sup>  
 18 Although AWC's request for a DSIC was denied in the Phase 1 Decision, the Decision expressed  
 19 support for DSIC-type mechanisms and left the Eastern Group Docket open for a second round of  
 20 proceedings ("Phase 2") to allow the parties an opportunity to enter into discussions regarding  
 21 AWC's DSIC proposal and other DSIC-like proposals, to allow for additional intervention, and to  
 22 allow for the possibility that a settlement or compromise might be reached. (Decision No. 73736 at  
 23 104, 110-11.) *Inter alia*, the Phase 1 Decision directed Staff to provide an update on the progress of  
 24 negotiations at the April 2013 Open Meeting and directed the Hearing Division to hold a procedural  
 25

26 <sup>6</sup> See Tr. at 402-07, 417-20.

27 <sup>7</sup> RUCO Late Filed Exhibit at 2.

28 <sup>8</sup> Staff filed corrections to its brief on June 19, 2013.

<sup>9</sup> Official notice is taken of Decision No. 73736 (February 20, 2013). At its Staff Meeting on August 15, 2013, the Commission approved the reopening of Decision No. 73736, pursuant to A.R.S. § 40-252, as to return on equity.

1 conference,<sup>10</sup> establish the process for the Phase 2 proceedings, and issue a proposed Order for  
2 consideration by the Commission no later than its June 2013 Open Meeting. (*Id.* at 113-14.)

3 Intervention in Phase 2 was granted to the Global Utilities ("Global");<sup>11</sup> EPCOR Water  
4 Arizona Inc. ("EPCOR"); Rio Rico Utilities, Inc. dba Liberty Utilities ("Liberty"); the Water Utility  
5 Association of Arizona ("WUAA"); the Arizona Investment Council ("AIC"); and the City of Globe  
6 ("Globe"). (Ex. A-1 at 4, § 6.0, ex. 1.)

7 On April 1, 2013, Staff filed a "Settlement Agreement Regarding Distribution System  
8 Improvement Charge ('DSIC') and Other DSIC-Like Proposals" ("SIB Agreement"), entered into by  
9 all of the parties to Phase 2 other than RUCO and Globe, in which a SIB mechanism was created in  
10 lieu of AWC's previously requested DSIC.

11 The evidentiary hearing for Phase 2 was held on April 8 and 11, 2013, with AWC, RUCO,  
12 Liberty, Global, EPCOR, AIC, WUAA, Globe, and Staff appearing through counsel. After the  
13 hearing, AWC filed revised SIB schedules, consistent with its testimony, and most of the parties filed  
14 briefs.

15 A Recommended Opinion and Order ("ROO"), recommending adoption of the SIB  
16 Agreement with modifications and reduction of the Eastern Group's cost of equity by 55 basis points,  
17 was issued on May 28, 2013.<sup>12</sup> The ROO was discussed by the Commission at its Open Meeting on  
18 June 12, 2013; was amended by the Commission to include a 10.0 percent cost of equity; and was  
19 approved as amended.

20 On June 27, 2013, the Commission issued Decision No. 73938 ("Phase 2 Decision"), which  
21 approved the SIB Agreement with modifications set forth in the Decision.<sup>13</sup> The SIB Agreement, and  
22 the modifications made thereto in the Phase 2 Decision, are described more fully below.

23 ...

24 ...

25 <sup>10</sup> A Phase 2 procedural conference was held on March 4, 2013, and a procedural schedule was established; the  
26 schedule was later revised by Procedural Order.

27 <sup>11</sup> The Global Utilities are Global Water – Palo Verde Utilities Company, Global Water – Santa Cruz Water Company,  
28 Valencia Water Company – Town Division, Valencia Water Company – Greater Buckeye Division, Water Utility of  
Greater Tonopah, Willow Valley Water Co., and Water Utility of Northern Scottsdale.

<sup>12</sup> A Notice of Errata was issued on May 30, 2013, to correct typographical errors.

<sup>13</sup> Official notice is taken of Decision No. 73938 (June 27, 2013).

On July 17, 2013, RUCO filed, pursuant to A.R.S. § 40-253, an Application for Rehearing of Decision No. 73938.<sup>14</sup> On August 5, 2013, at its Staff Meeting, the Commission voted to grant RUCO's Application for the limited purpose of allowing the Commission additional time to consider RUCO's Application. At its Staff Meeting of August 15, 2013, the Commission granted RUCO's rehearing request for the Phase 2 Decision; reopened the Phase 1 Decision pursuant to A.R.S. § 40-252, as to return on equity; and consolidated the proceedings.

## II. AWC and its Northern Group

AWC is an Arizona C corporation and Class A water utility providing service, pursuant to Certificates of Convenience and Necessity granted by the Commission, to approximately 84,800 customers through water systems located in Cochise, Coconino, Gila, Maricopa, Navajo, Pima, Pinal, and Yavapai Counties. (App. at 1.) AWC's water systems are organized into three groups: the Northern Group, the Eastern Group, and the Western Group. (*Id.*) This case concerns AWC's Northern Group, for which the current rates were set in a company-wide rate case resulting in Decision No. 71845 (August 25, 2010).<sup>15</sup>

AWC's Northern Group provides water to approximately 19,700 connections in Yavapai, Coconino, and Navajo counties. (Ex. S-4 at ex. KS at 1.) The Northern Group includes the Navajo and Verde Valley divisions, each of which was formed through consolidation in Decision No. 71845. (Ex. A-7 at 5.) The Navajo division consists of the fully consolidated Lakeside and Overgaard systems, and the Verde Valley division consists of the fully consolidated Pinewood and Rimrock systems and the partially consolidated Sedona system. (*Id.* at 5-6.) The Sedona system currently has the same monthly minimum charge as the rest of the Verde Valley division, but different commodity rates.<sup>16</sup> (*Id.*) AWC proposes to complete the consolidation of the Verde Valley division in this case. (*Id.* at 6.) Ultimately, AWC intends to consolidate the entire Northern Group. (Tr. at 203.)

From an engineering perspective, the Northern Group consists of eight independent Public Water Systems ("PWSs"), each with its own water production, storage, and distribution facilities, with the following numbers of connections: Lakeside (4,012), Pinetop Lakes (1,001), Overgaard

<sup>14</sup> Official notice is taken of this filing made in Docket No. W-01445A-11-0310.

<sup>15</sup> Official notice is taken of Decision No. 71845 (August 25, 2010).

<sup>16</sup> The accounting records for Pinewood, Rimrock, and Sedona have been fully consolidated. (Ex. A-7 at 5-6.)

(4,153), Forest Towne (5), Sedona (5,728), Valley Vista (766), Pinewood (2,856), and Rimrock (1,217). (Ex. S-4 at ex. KS at 1, 5.) Geographically, the Northern Group PWSs are spread throughout the following counties: Navajo County (Lakeside, Pinetop Lakes, Overgaard, and Forest Towne PWSs); Coconino County (Pinewood PWS); Yavapai County (Valley Vista and Rimrock PWSs); and Yavapai and Coconino Counties (Sedona PWS). (*Id.* at 6-17, 19, 24, 28, 31.)

All of the PWSs within the Northern Group are in full compliance with the requirements of the Arizona Department of Environmental Quality ("ADEQ") and delivering water that meets the water quality standards required by A.A.C. Title 18, Chapter 4.<sup>17</sup> (Ex. S-4 at ex. KS at 35.) The Sedona, Valley Vista, and Rimrock PWSs have arsenic treatment facilities, (*id.* at 5), and the Sedona system is currently assessing an Arsenic Cost Recovery Mechanism ("ACRM") surcharge, (Ex. A-7 at 10). According to Mr. Schneider, three additional arsenic treatment facilities need to be constructed in the Northern Group, specifically in the Sedona system (for one well) and the Overgaard system (for two wells). (Ex. A-11 at 36-39.)

None of the PWSs in the Northern Group is located within any Arizona Department of Water Resources ("ADWR") Active Management Area ("AMA"). (Ex. S-4 at ex. KS at 35.) ADWR has determined that all of the Northern Group PWSs are in compliance with ADWR requirements for community water systems.<sup>18</sup> (*Id.*)

Staff's engineer reported that all of the Northern Group PWSs have adequate production and storage capacity to serve their present customers and reasonable growth. (Ex. S-4 at ex. KS at 5.)

Five of the eight Northern Group PWSs have water loss exceeding the Commission's general 10-percent standard, as follows: Pinetop Lakes (17.5 percent), Overgaard (13.4 percent), Sedona (10.2 percent<sup>19</sup>), Pinewood (26 percent), and Rimrock (19.5 percent). (Ex. S-4 at ex. KS at 5, 33.) As required by the Commission, AWC has done extensive analysis of its systems relating to water loss causes and solutions. (*See* Ex. A-11 at 9-10, ex. FKS-19, ex. FKS-20.) According to Mr.

---

<sup>17</sup> Due to its size, Forest Towne is not a community water system subject to ADEQ compliance monitoring. (Ex. S-4 at ex. KS at 35.)

<sup>18</sup> Due to its size, Forest Towne is not a community water system subject to ADWR compliance monitoring. (Ex. S-4 at ex. KS at 35.)

<sup>19</sup> During the test year, Sedona had water loss of 9.1 percent, but its water loss increased to 10.2 percent in 2012. (Ex. S-4 at ex. KS at 22.)

1 Schneider, AWC has a water loss reduction program that includes monthly water loss tracking and  
 2 analysis using leak detection equipment; locating and repairing leaks and breaks; and replacing water  
 3 mains, service lines, and other facilities as necessary. (*See, e.g.*, Ex. A-11 at 45-47, 52, ex. FKS-19.)  
 4 From January 2008 through December 2011, AWC found and repaired 1,159 leaks in the five  
 5 Northern Group PWSs with excessive water loss. (Ex. A-11 at 89.)

6 Mr. Schneider's testimony included AWC's Water Loss Reduction Program for Water  
 7 Systems in the Northern Group, dated July 27, 2012, in which Mr. Schneider described in great  
 8 detail, for the five Northern Group PWSs with excessive water loss, AWC's efforts to detect and  
 9 reduce water loss; the various PWSs' infrastructure types and conditions; the various PWSs' specific  
 10 histories of leaks and breakage; the specific areas most in need of infrastructure replacement to curb  
 11 water loss; any other recommendations to improve water loss for the PWSs; and specific projects  
 12 proposed to be completed within a three-year period, with cost estimates ("three-year plan"). (Ex. A-  
 13 11 at ex. FKS-19.) The following projects, estimated to have a total cost of more than \$4.8 million,  
 14 were included in the three-year plan:<sup>20</sup>

- 15 • In Verde Valley's Rimrock system, installation of 7,450 linear feet ("LF") of 6-inch  
 16 main,<sup>21</sup> 180 service connections, and 180 meters, at an estimated aggregate cost of  
 17 \$1,267,536;
- 18 • In Verde Valley's Sedona system, installation of 550 LF of 6-inch main, 115 service  
 19 connections, and 115 meters, at an estimated aggregate cost of \$730,932;
- 20 • In Verde Valley's Pinewood system, installation of 1,850 LF of 6-inch main, 177 service  
 21 connections, 177 meters, and 1 fire hydrant, at an estimated aggregate cost of \$1,107,568;
- 22 • In Navajo's Overgaard system, installation of 2,200 LF of 6-inch main, 343 service  
 23 connections, 343 meters, and 2 fire hydrants, at an estimated aggregate cost of  
 24 \$1,091,458; and
- 25 • In Navajo's Pinetop Lakes system, installation of 193 service connections and 193 meters,  
 26 at an estimated aggregate cost of \$620,993.

27 <sup>20</sup> See Ex. A-11 at 53, 68, 85, 100, 115. The identified plant dates from 1949 to 1975, with much of the plant having  
 28 been installed in the 1960s and 1970s. (*See* Ex. A-2; Ex. A-11 at ex. FKS-19 at 44, 61, 77, 93, 108.)

<sup>21</sup> The main is six-inch ductile iron pipe with plastic wrap. (Tr. at 206.)

Regarding the need for plant improvements to curb water loss, Staff's engineering witness recommended that AWC continue to record and monitor monthly water losses, repair any leak as soon as it is discovered, and implement an aging infrastructure replacement plan consistent with the three-year plan. (Ex. S-4 at ex. KS at ii, 38.) Ms. Stukov further stated that Staff had reviewed the three-year plan and its estimated costs and found the proposal to be reasonable and appropriate. (Ex. S-4 at ex. KS at 39.)

AWC asserts that the total estimated cost to replace all of the aging infrastructure in the Northern Group is approximately \$84,210,409, when considering water mains and service lines that will need to be replaced between 2012 and 2021. (Ex. A-11 at 82.) Between September 20, 2011, and May 31, 2012, AWC completed several plant replacement projects to reduce water loss in the Pinewood and Rimrock systems, at a total cost of approximately \$405,000. (*Id.* at 82-83.)

The vast majority of Northern Group customers are served by 5/8" x 3/4" meters, with those customers representing the following percentage of customers for each system in 2011: Lakeside (97.25 percent), Pinetop Lakes (96.60 percent), Overgaard (99.20 percent), Forest Towne (100 percent), Sedona (86.42 percent), Valley Vista (79.32 percent), Pinewood (99.50 percent), and Rimrock (99.01 percent). (*See* Ex. S-4 at ex. KS at 7, 10, 14, 17, 21, 25, 28, and 32.) The monthly average and median water usage of residential 5/8" x 3/4" meter customers differs by division/system, as follows:<sup>22</sup>

	Navajo (Lakeside & Overgaard)	Verde Valley (Sedona)	Verde Valley (Pinewood & Rimrock)
Average:	3,150 gallons	8,751 gallons	3,036 gallons
Median:	1,190 gallons	5,230 gallons	1,215 gallons

AWC has an approved curtailment plan tariff, an approved backflow prevention tariff, and approved Best Management Practices ("BMP") tariffs on file for its Northern Group. (Ex. S-4 at ex. KS at 37-38.)

According to Staff's Consumer Services database, for the period from January 1, 2010, through January 14, 2013, AWC's Northern Group was the subject of a total of 56 complaints, each of which concerned billing, an aspect of service, deposits, disconnection, construction, or rates and

<sup>22</sup> These figures are taken from Ex. A-7 at Sched. H-5.

1 tariffs. (Ex. S-1 at 3-4.) As of the hearing in this matter, all of the complaints had been resolved and  
 2 closed. (Tr. at 233-34, 252.)

3 Between October 23, 2012, and July 17, 2013, 14 comments were filed opposing AWC's  
 4 application, one comment was filed providing rate design suggestions, and one comment<sup>23</sup> was filed  
 5 supporting the Commission's recent decision to approve a SIB mechanism in the Eastern Group  
 6 Docket.

### 7 **III. Pre-Settlement**

8 In its Application, AWC asserted that the revenues from its utility operations are presently  
 9 inadequate to allow it to recover its operating costs and to provide a just and reasonable rate of return  
 10 on the fair value of its utility plant and property used to provide service to its Northern Group  
 11 customers. (App. at 2.) AWC also asserted that its rate base has increased substantially since the  
 12 2007 test year used in its last company-wide rate case due to significant plant additions made in order  
 13 to assure safe and reliable service to its customers, to comply with the current arsenic standard, and to  
 14 comply with the Commission's directive for AWC to reduce its water losses by July 1, 2011. (*Id.*)  
 15 The TY figures proposed by AWC in its application reflected downward adjustments in TY revenues  
 16 and expenses to reflect what AWC called "normalize[d] revenues [and] expenses to reflect typical  
 17 weather and usage."<sup>24</sup> AWC stipulated in the Application that its original cost rate base ("OCRB")  
 18 could be used as its fair value rate base ("FVRB") for the limited purpose of setting rates in this  
 19 matter. (*Id.* at 3.) In addition to requesting an increase in rates and revenues, AWC requested the  
 20 following:

- 21 • Full rate consolidation of the Sedona system with the rest of the Verde Valley systems;
- 22 • Authorization to extend its ACRM, previously authorized for Verde Valley,<sup>25</sup> to the rest of
- 23 the Northern Group;

25 <sup>23</sup> This comment letter was filed by Arizonans for Responsible Water Policy ("ARWP"), an organization that includes  
 AWC, Global Water, EPCOR Water USA, and Liberty Utilities Arizona.

26 <sup>24</sup> AWC showed that a portion of AWC's proposed downward adjustments to TY operating revenues and expenses  
 27 (\$68,751 in revenues and \$15,249 in expenses for Navajo and \$63,203 in revenues and \$30,566 in expenses for Verde  
 Valley) were being made to normalize residential revenues and expenses to reflect typical weather and decreasing  
 residential usage. (Ex. A-7 at Sched. C-2 app. at 10-11.)

28 <sup>25</sup> The only Northern Group system currently approved to have an ACRM is the Sedona system. (*See* Decision No.  
 72375 (May 27, 2011); Decision No. 73662 (February 6, 2013).)

- Authorization to implement a DSIC for the Northern Group systems, to allow AWC to recover the fixed costs (depreciation and rate of return) of non-revenue producing distribution system improvement projects completed between rate cases;
- Authorization to implement an Off-Site Facilities Fee ("OSFF") for all new service connections in Verde Valley's Sedona system, with the OSFF starting at \$1,100 for a 5/8" x 3/4" meter service connection and increasing for larger meter sizes;
- Continuation of AWC's MAP surcharge for the Northern Group; and
- Authorization of such other and further relief as may be appropriate to ensure that AWC has an opportunity to earn a just and reasonable return on the fair value of its utility plant and property and as may otherwise be required under Arizona law.<sup>26</sup>

A. Undisputed Issues

In its direct testimony, Staff recommended that AWC be authorized to complete consolidation of the rates of the Sedona system with the rates for the other Verde Valley division systems, that AWC be authorized to extend its previously approved ACRM to other Northern Group systems using the same ACRM surcharge approval process previously established, and that AWC be authorized to implement an OSFF using the tariff language provided in Staff's Engineering Report. (Ex. S-1 at 5, 30-32; *see* Ex. S-4 at ex. KS at ii, 39, att. A.) Staff further recommended that AWC be required to submit to the Commission's Docket Control each January, beginning on January 31, 2014, and continuing until the OSFF Tariff is no longer in effect, an annual OSFF status report for the prior calendar year containing a list of all customers that have paid the OSFF, the amount of each OSFF payment, the amount expended from the OSFF account, the amount of interest earned on the OSFF account, and a list of the facilities (identified by ADEQ PWS location) installed with the OSFF account funds during the calendar year. (Ex. S-4 at ex. KS at ii.) Staff's recommendations are expressly included within the recommended OSFF Tariff. (*See* Ex. S-4 at ex. KS at att. A at 4.)

In its direct testimony, RUCO also recommended approval of AWC's request to complete the consolidation of the Sedona system's rates with the rates for the rest of the Verde Valley division. (Ex. R-10 at 2-3.) RUCO also recommended approval of AWC's request to continue its ACRM to

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<sup>26</sup> App. at 4-6.

include all of the Verde Valley systems and to establish an ACRM for the Navajo division. (Ex. R-7 at 3, 16-17.) RUCO took no position on AWC's OSFF request, but reiterated its assertion, made in other cases, that delaying recognition of contributions in aid of construction ("CIAC") as a deduction to rate base is not in the best interest of ratepayers. (Ex. R-7 at 3, 17.)

**B. Disputed Issues**

**1. TY Results and Revenue Requirement**

The parties adopted the following litigation positions regarding the TY operations and revenue requirements for the two divisions in the Northern Group:<sup>27</sup>

Navajo Division			
	AWC	RUCO	Staff
TY Adjusted Operating Revenues:	\$3,595,080	\$3,663,832	\$3,663,830
TY Adjusted Operating Expenses:	\$3,164,804	\$3,163,004	\$3,192,492
TY Adjusted Operating Income:	\$430,276	\$500,828	\$471,338
Adjusted OCRB:	\$9,911,050	\$9,227,096	\$10,065,911
TY Rate of Return:	4.34%	5.43%	4.68%
Required Operating Income:	\$902,842	\$720,424	\$795,207
Operating Income Deficiency:	\$472,566	\$219,596	\$323,869
Gross Revenue Conversion Factor	1.6469	1.6469	1.6510
Required Revenue Increase:	\$778,281	\$361,659	\$534,713
<b>Required Revenue Increase %:</b>	<b>21.65%</b>	<b>9.87%</b>	<b>14.59%</b>
Required Rate of Return:	9.11%	7.81%	7.9%
<b>Proposed Revenue Increase:</b>	<b>\$778,281</b>	<b>\$361,659</b>	<b>\$534,713</b>
Proposed Revenue Requirement:	\$4,373,361	\$4,025,491	\$4,198,543
Verde Valley Division			
	AWC	RUCO	Staff
TY Adjusted Operating Revenues:	\$6,529,576	\$6,592,779	\$6,592,779
TY Adjusted Operating Expenses:	\$5,394,801	\$5,407,458	\$5,383,130
TY Adjusted Operating Income:	\$1,134,775	\$1,185,321	\$1,209,649
Adjusted OCRB:	\$26,134,793	\$25,528,437	\$25,991,704
TY Rate of Return:	4.34%	4.64%	4.65%
Required Operating Income:	\$2,380,736	\$1,993,184	\$2,053,345
Operating Income Deficiency:	\$1,245,961	\$807,863	\$843,695
Gross Revenue Conversion Factor	1.6465	1.6465	1.6465
Required Revenue Increase:	\$2,051,496	\$1,330,169	\$1,389,159

<sup>27</sup> See Ex. A-7 at Sched. A-1, Sched. C-1; Ex. S-1 at Sched. JMM-1, JMM-8; Ex. R-9 at Sched. JLK-1, JLK-7.

<b>Required Revenue Increase %:</b>	<b>31.42%</b>	<b>20.18%</b>	<b>21.07%</b>
Required Rate of Return:	9.11%	8.75%	7.9%
<b>Proposed Revenue Increase:</b>	<b>\$2,051,496</b>	<b>\$1,330,169</b>	<b>\$1,389,159</b>
Proposed Revenue Requirement:	\$8,581,072	\$7,922,948	\$7,981,938

The differences in TY revenue figures set forth above are attributable to RUCO and Staff's rejection of AWC's adjustments to "normalize revenues and expenses to reflect typical weather and usage" for residential customers. (See Ex. A-7 at 17-19, ex. JMR-1; Ex. R-9 at 8, 19-20; Ex. S-1 at 14-17.) AWC had made downward adjustments to TY revenues and expenses for the Navajo division in the amounts of \$68,751 and \$15,249 and to the Verde Valley division in the amounts of \$63,203 and \$30,566, respectively. (Ex. A-7 at Sched. C-2.) Mr. Reiker testified that the adjustments were made based upon the results of a multiple regression analysis of monthly residential per customer usage and weather conditions for the five years ending December 2011, which showed both that normalized weather conditions resulted in lower usage than seen in the hotter and drier TY and that there was a "statistically significant annual decline in residential usage of 2.03 percent and 2.71 percent in the Navajo and Verde Valley systems." (Ex. A-7 at 17-18; *see also id.* at 32.) To reflect the decline, AWC made reductions to revenues and made corresponding adjustments to source of supply, pumping, and water treatment expenses. (*Id.* at 18-19.) RUCO and Staff rejected these adjustments entirely. (Ex. R-9 at 8, 19-20; Ex. S-1 at 14-17.)

RUCO also made downward adjustments in transmission and distribution ("T&D") expense for each division, to reverse AWC's T&D expense normalization adjustment; in rate case expense, to reflect the amount granted for the Northern Group in its last rate case, adjusted for inflation; in fleet fuel expense, based upon an average of the U.S. Energy Information Administration's Short Term Energy Outlook average monthly prices for January 2012 through December 2014; and in miscellaneous expense, to eliminate sponsorships, costs associated with employee events and awards, and half of the costs of certain organizational dues. (Ex. R-9 at 5-7, Schedules JLK-8, JLK-10 through JLK-13.) RUCO also adjusted depreciation expense, property tax expense, and income tax expense to reflect its own calculations based upon recommended plant in service, a modified Arizona Department of Revenue ("ADOR") formula used by the Commission in prior rate cases, and RUCO's recommended operating income. (Ex. R-9 at 7-9, Schedules JLK-8, JLK-14 through JLK-17.)

Staff also made downward adjustments in T&D expenses, to reflect a five-year normalized amount rather than the amount projected using AWC's regression analysis; in administrative and general expenses, to eliminate expenses related to memberships, charitable contributions, sponsorships, employee meals, and gifts and awards; in miscellaneous expenses, to eliminate projected expenses related to the implementation of BMPs; and in rate case expense, based on the amount approved by the Commission in Phase 1 of the Eastern Group Docket. (Ex. S-1 at 8, 17-26, Scheds. JMM-8, JMM-12 through JMM-15.) Staff also adjusted depreciation expense, income tax expense, and property tax expense to reflect Staff's calculations based upon its other recommendations, the applicable income tax rates, and the Commission's usual modified ADOR methodology for calculating property tax expense. (Ex. S-1 at 9, 27-29, Scheds. JMM-8, JMM-16 through JMM-18.)

2. Rate Base

In the Application, AWC stated that it adjusted its OCRB to add post-TY "revenue-neutral utility plant additions" for items necessary to serve existing TY customers, along with a half-year of depreciation on these items, and to allocate rate base items for AWC's Phoenix office and meter shop to the Navajo and Verde Valley divisions, consistent with a previously approved three-factor allocation methodology. (Ex. A-7 at 12-13, Sched. B-2, Sched. B-2 app.) As a result, the Navajo division's OCRB was decreased by \$1,749,917, and the Verde Valley division's OCRB was increased by \$506,265. (Ex. A-7 at Sched. B-2.)

RUCO recommended reducing the value of post-TY plant additions to reflect actual costs rather than projections and rejecting post-TY construction projects completed after June 30, 2012, with the cumulative result being downward adjustments of \$463,187 and \$233,057 in the OCRBs of Navajo and Verde Valley, respectively. (Ex. R-9 at 4-5, 10, Scheds. JLK-2, JLK-3.) RUCO also recommended reducing cash working capital for the Navajo division by \$220,768 and for the Verde Valley division by \$373,298, to reflect RUCO's calculation of working capital using AWC's lead/lag study with some adjustments, such as excluding rate case expense and including interest expense. (Ex. R-9 at 4-5, 11-13, Scheds. JLK-2, JLK-3, JLK-5, JLK-6(1).)

...

Staff recommended increasing post-TY plant by \$257,446 and accumulated depreciation by \$5,117 for the Navajo division and increasing post-TY plant by \$633 and accumulated depreciation by \$238 for the Verde Valley division to reflect actual rather than estimated post-TY plant costs. (Ex. S-1 at 10, Schedules JMM-4, JMM-5.) Staff also removed from the Navajo division's OCRB \$29,288 in post-TY costs for land surveying and purchased land related to Well Site No. 5 and a future arsenic treatment plant for Well No. 5, along with \$113 in associated depreciation. (Ex. S-1 at 11, Schedule JMM-6.) Staff also recommended reducing cash working capital for the Navajo division by \$68,292 and for the Verde Valley division by \$143,482, to reflect Staff's recalculation including interest expense as a component of the lead/lag study. (Ex. S-1 at 12-13, Schedule JMM-7.)

### 3. Cost of Capital

The parties took the following positions on the Northern Group's cost of capital, with cost of equity ("COE") as the only area of dispute:<sup>28</sup>

	AWC			RUCO			STAFF		
	Weight	Cost	Weighted Avg. Cost	Weight	Cost	Weighted Avg. Cost	Weight	Cost	Weighted Avg. Cost
Common Equity	51.05%	11.30%	5.77%	51.05%	8.75%	4.47%	51.1%	9.1%	4.6%
Debt	48.95%	6.82%	3.34%	48.95%	6.82%	3.34%	48.9%	6.8%	3.3%
Weighted Avg. Cost of Capital			9.11%			7.81%			7.9%

Ms. Ahern testified that she determined AWC's proposed 11.30 percent COE by performing discounted cash flow model ("DCF"), risk premium model ("RPM"), and capital asset pricing model ("CAPM") analyses using a proxy group of nine publicly traded water companies. (Ex. A-10 at 4, 7-9, ex. PMA-1.) Ms. Ahern averaged the results of the DCF (9.13%), RPM (10.47%), and CAPM (11.01%) to arrive at a common equity cost rate of 10.34 percent, which she stated did not include any adjustments for credit and business risks attributable to AWC. (Ex. A-10 at 10.) Ms. Ahern then applied a 50-basis point upward adjustment for credit risk and a 45-basis point upward adjustment for company-specific unique business risk, resulting in an adjusted COE of 11.29 percent, which she rounded to 11.30 percent. (Ex. A-10 at 10, 53-54, ex. PMA-1.) Ms. Ahern testified that she made the credit risk adjustment based on her opinion that if AWC were rated by Moody's or Standard &

<sup>28</sup> See Ex. A-10 at 7-8, ex. PMA-1; Ex. R-8 at 5-6, Schedule WAR-1; Ex. S-3 at 3, 35, Schedule JAC-1. Staff's use of only a single decimal place is not considered to be an area of dispute.

1 Poor's, AWC would probably have a bond rating of Baa/BBB, which she stated indicates an  
 2 inherently greater credit risk relative to the proxy group utilities.<sup>29</sup> (Ex. A-10 at 55-56.) Ms. Ahern  
 3 quantified the magnitude of the credit risk adjustment using two-thirds of a recent three-month  
 4 average spread between Moody's A and Baa2 rated public utility bond yields, to arrive at a rounded  
 5 50-basis-point upward credit risk adjustment. (*Id.* at 56.) Ms. Ahern testified that a business risk  
 6 adjustment is also needed based on water utilities' greater business risk as an industry, as compared  
 7 to other types of utilities, and AWC's even greater and unique business risk due to its segmented and  
 8 geographically isolated operations, its small size as compared to the proxy group utilities, and the  
 9 regulatory lag that results from Arizona's use of a historical test year. (Ex. A-10 at 12-24, 56-58, ex.  
 10 PMA-1.) At hearing, Ms. Ahern testified that her updated estimate as of May 13, 2013, would be  
 11 11.35 percent. (Tr. at 160, 183.)

12 For RUCO, Mr. Rigsby completed a constant-growth DCF analysis using two separate proxy  
 13 groups—a proxy group of six publicly traded water companies, and a proxy group of nine publicly  
 14 traded and regulated natural gas local distribution companies ("LDCs").<sup>30</sup> (Ex. R-8 at 8, 19-20.) Mr.  
 15 Rigsby averaged the results of the DCF analysis for the water utilities proxy group (7.97 percent)  
 16 with the result of the DCF analysis for the LDC proxy group (8.75 percent) to reach an overall DCF  
 17 COE estimate of 8.36 percent. (Ex. R-8 at 30, Schedules WAR-1, WAR-2.) Mr. Rigsby also  
 18 performed CAPM analyses using the two proxy groups and using two different methods to calculate  
 19 market risk premium (geometric mean versus arithmetic mean of historical total returns on the  
 20 Standard & Poor's 500 index from 1926 to 2011 as a proxy for market rate of return). (Ex. R-8 at  
 21 35.) The CAPM analyses for the water utilities proxy group resulted in COE estimates of 5.79  
 22 percent and 6.90 percent, and the CAPM analyses for the LDC proxy group resulted in COE  
 23 estimates of 5.64 percent and 6.69 percent.<sup>31</sup> (Ex. R-8 at 37.) Mr. Rigsby selected the highest DCF  
 24

25 <sup>29</sup> Ms. Ahern testified that most utilities have an average bond rating of BBB, which is the bottom of investment grade.  
 26 (Tr. at 174.) She stated that if the rating drops to BB, insurance companies and institutional investors are precluded from  
 investing in them. (*Id.*)

27 <sup>30</sup> All of the utilities in RUCO's water utility proxy group were also included in AWC's proxy group. (*See* Ex. R-8 at  
 20-21, Ex. A-10 at 30.) RUCO has used the same LDCs in proxy groups in previous rate cases, including in the Eastern  
 Group Docket. (*See* Ex. R-8 at 23.)

28 <sup>31</sup> At hearing, Mr. Rigsby said, "[r]ight now I will be the first to admit that CAPM is producing low results. . . . that's  
 only because the yields on risk free assets are low right now." (Tr. at 397.)

1 COE estimate to serve as RUCO's recommended COE of 8.75 percent. (*Id.*) Mr. Rigsby testified  
2 that RUCO's recommended COE of 8.75 percent would provide AWC with a reasonable rate of  
3 return on investment, considering low current interest rates, the current state of the economy, the  
4 current rates of unemployment in the country and state, and the Federal Reserve's decision to keep  
5 interest rates at their current levels into the foreseeable future. (*Id.* at 56.)

6 Mr. Rigsby testified that Ms. Ahern used the same single stage DCF model that he used and  
7 attributed much of the difference in DCF analysis results to timing, as his DCF analyses were  
8 performed using data approximately 7 months fresher than that used by Ms. Ahern, and also to the  
9 different methods used to produce growth rate estimates. (Ex. R-8 at 60-63.) Mr. Rigsby also  
10 testified that Ms. Ahern's CAPM analyses used both the version that he used and another version that  
11 has previously been rejected by the Commission and expressed concern that Ms. Ahern's CAPM  
12 analyses used only forecasted yields on long-term Treasury instruments for a risk-free rate of return,  
13 "totally ignore[d]" the Federal Reserve's plan to keep interest rates at their current low levels through  
14 2014, utilized an "almost Byzantine methodology . . . to arrive at [an] unrealistically high market risk  
15 premium," and rejected the use of geometric means to calculate market risk premium. (Ex. R-8 at 60,  
16 65-67.) Mr. Rigsby also testified that AWC needs neither a credit risk adjustment nor a business risk  
17 adjustment because AWC has successfully placed bond issuances in the past, and Mr. Rigsby's  
18 analyses using the water utilities proxy group shows that investors tolerate the types of risks faced by  
19 AWC. (Ex. R-8 at 62, 68.) Mr. Rigsby disagreed with the idea that water utilities currently need  
20 higher rates of return to attract investors. (Ex. R-8 at 62.)

21 To determine Staff's recommended COE, Mr. Cassidy performed two DCF analyses and two  
22 CAPM analyses using a sample group of six publicly traded water utilities that receive the majority  
23 of their earnings from regulated operations.<sup>32</sup> (Ex. S-3 at 3, 13.) Mr. Cassidy averaged the results of  
24 a constant-growth DCF analysis (8.0 percent) and non-constant-growth DCF analysis (9.5 percent) to  
25 obtain an overall DCF COE estimate of 8.8 percent. (Ex. S-3 at 14, 24, 26, Sched. JAC-3.) Mr.  
26 Cassidy also averaged the results of a historical market risk premium CAPM analysis (6.3 percent)

27 \_\_\_\_\_  
28 <sup>32</sup> All of the utilities in Staff's proxy group were also included in AWC's proxy group. (*See* Ex. S-3 at 13, Ex. A-10 at 30.)

1 with the results of a current market risk premium CAPM analysis (10.0 percent) to obtain an overall  
2 CAPM COE estimate of 8.2 percent. (Ex. S-3 at 29-30, Sched. JAC-3.) Mr. Cassidy then  
3 determined Staff's recommended 9.1 percent COE by averaging the overall DCF COE estimate and  
4 the overall CAPM COE estimate (resulting in 8.5 percent) and making a 60-basis-point upward  
5 adjustment in consideration of the status of the "relatively uncertain" current economy and market.  
6 (Ex. S-3 at 33-34, Sched. JAC-3.)

7 Mr. Cassidy criticized Ms. Ahern's exclusive reliance on analysts' forecasts for earnings per  
8 share ("EPS") growth to estimate the dividend growth component in her single-stage constant-growth  
9 DCF analysis, stating that analysts' forecasts are known to be overly optimistic and to result in COE  
10 inflation and also stating that dividends per share growth is more relevant. (Ex. S-3 at 35-38.) Mr.  
11 Cassidy also disagreed with Ms. Ahern's use of a "stale" historical 60-day average stock price, as  
12 opposed to a current spot price, to calculate the current dividend yield component of the constant  
13 growth DCF analysis. (Ex. S-3 at 38-39.) Mr. Cassidy also disagreed with Ms. Ahern's use, in her  
14 CAPM and RPM analyses, of a projected risk-free rate based upon both historical and forecasted  
15 estimates, as opposed to Staff's recommended use of a risk-free rate based upon a current measure for  
16 the 30-year U.S. Treasury yield at the time of analysis. (Ex. S-3 at 39-41.) Mr. Cassidy performed  
17 the same CAPM and RPM analyses as completed by Ms. Ahern, using the then-current 30-year U.S.  
18 Treasury yield rather than Ms. Ahern's projected risk-free rate, and obtained an RPM result of 9.63  
19 percent (rather than 10.47 percent) and a CAPM result of 9.73 percent (rather than 11.01 percent),<sup>33</sup>  
20 for an unadjusted COE of 9.50 percent (rather than 10.34 percent). (Ex. S-3 at 41-44, ex. JAC-C.)  
21 Mr. Cassidy also testified that neither Ms. Ahern's 50-basis-point credit risk adjustment nor her 45-  
22 basis-point business risk adjustment had merit because bond ratings are not an accurate indicator of  
23 equity risk, the Commission has previously ruled that firm size does not warrant recognition of a risk  
24 premium, and investors can eliminate firm-specific risk through diversification. (Ex. S-3 at 44-45.)

25 ...

26 ...

27 ...

28 <sup>33</sup> Mr. Cassidy did not recalculate Ms. Ahern's DCF analysis.

1     4.     Rate Design

2             AWC's current Northern Group rates and charges, the rates and charges proposed by AWC in  
3 its Application, and the rates and charges proposed by RUCO and Staff in their original direct  
4 testimonies are set forth in Exhibit A, attached hereto and incorporated herein.<sup>34</sup>

5             AWC's proposed rate design significantly increased monthly minimum charges, which would  
6 result in AWC's earning more of its overall revenue through monthly minimum charges, while also  
7 increasing the first-tier break over points for commodity rates. (See Ex. A-7 at Sched. H-3.) Mr.  
8 Reiker testified that AWC created its proposed rate design after considering gradualism, affordability,  
9 conservation, and cost recovery. (Ex. A-7 at 28.) Mr. Reiker testified that the rate design included a  
10 lifeline rate for residential customers with minimal usage, to keep water bills affordable for basic  
11 needs, while also promoting conservation by incorporating a third-tier commodity rate set higher than  
12 cost. (*Id.* at 28-29.) Mr. Reiker further testified that AWC addressed cost recovery in an  
13 environment of declining customer usage with its proposed rate design by adjusting TY sales  
14 volumes to reflect declines in per customer residential usage, incorporating the reductions into the  
15 billing determinants used to design its proposed rates, and designing a monthly minimum charge  
16 consistent with AWC's cost of service study ("COSS") to avoid shifting fixed cost recovery into  
17 commodity rates. (*Id.* at 31, 35.) According to Mr. Reiker, the COSS showed that no less than 51  
18 percent of Northern Group revenues should be recovered through monthly minimum charges, and  
19 AWC's proposed rate design was designed accordingly. (*Id.* at 35-36.) Mr. Reiker further testified  
20 that the proposed Northern Group rate design generally incorporated the same principles as the  
21 design approved for the Northern Group in the company-wide rate case, although revisions to  
22 miscellaneous service charges and service line and meter installation charges were proposed to make  
23 those charges consistent with the Commission's recent Western Group decision.<sup>35</sup> (*Id.* at 37-38.)

24             RUCO's proposed rate design supports AWC's proposal to complete full consolidation of the  
25 Sedona system's rates with the rates for the rest of the Verde Valley division, but does not  
26 incorporate AWC's proposed declining usage adjustment. (Ex. R-10 at 3-4.) Mr. Mease stated that

27     <sup>34</sup> The sources for the data in Exhibit A hereto are Ex. A-7 at Sched. H-3; Ex. R-10 at Sched. RD-1; Ex. S-2 at Sched.  
28 JMM-1.

<sup>35</sup> The Western Group's rates were most recently established in Decision No. 73144 (May 1, 2012).

1 RUCO does not believe the level of declining usage per customer will continue or that the declining  
2 usage results from conservation efforts, instead predicting that usage levels will stabilize over time as  
3 the potential for ongoing conservation is mitigated. (*Id.*) Mr. Mease added: "RUCO does not  
4 believe it is appropriate to embed in today's rates an adjustment designed to recover forecasted lost  
5 revenue based on the 'possibility' that residential usage will decline in the future." (*Id.*) Mr. Mease  
6 further testified that RUCO's recommended rate design for Verde Valley was modified from AWC's  
7 proposed rate design so as to prevent large subsidization of the Verde Valley system resulting from  
8 consolidation of the Sedona system. (*Id.* at 6-7.)

9 Mr. Michlik testified that Staff's recommended rates were designed to produce revenues to  
10 cover the overall cost of providing service, while encouraging efficient use of scarce water resources.  
11 (Ex. S-2 at 3.) Staff's recommended rate design also supported AWC's proposal to complete full  
12 consolidation of the Sedona system's rates with the rates for the rest of the Verde Valley division, but  
13 did not incorporate AWC's proposed declining usage adjustment, which Mr. Michlik stated could not  
14 be considered known and measurable. (*Id.* at 2, 4.)

15 Regarding bill formatting, Mr. Michlik recommended that AWC be required to bill each  
16 applicable tariff charge on a separate line, showing the description and the billed amount, rather than  
17 showing a "balance forward" and, further, that AWC be required to bill for water consumption in  
18 1,000 gallon increments as opposed to 100 gallon increments. (Ex. S-1 at 4; *see* Tr. at 202-03.)

19 Mr. Reiker testified that AWC had been working with Staff's Consumer Services Section for  
20 more than a year regarding designing a new bill, because the process required programming of  
21 AWC's system and also research regarding items on the existing bill and whether they needed to be  
22 retained. (Tr. at 202-03.) At hearing, Mr. Reiker reported that AWC had designed a new bill  
23 meeting Mr. Michlik's recommendations, after several different designs, and that the new bill either  
24 had already been implemented or would be implemented within weeks. (*Id.*)

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5. Bill Impacts

The rates and charges proposed by AWC in its application and originally proposed by RUCO and Staff on direct would have approximately the following monthly bill impact on an average usage residential customer served by a 5/8" x 3/4" meter in each of the Northern Group divisions/systems:<sup>36</sup>

**AWC Application**

Division/System	Usage (Gallons)	Current Bill	Proposed Bill	Dollar Change	Percent Change
Navajo	3,200	\$26.50	\$31.83	\$5.33	20.11%
Verde Valley (Pinewood, Rimrock)	3,000	\$33.27	\$33.47	\$0.20	0.60%
Verde Valley (Sedona)	8,800	\$39.57	\$53.93	\$14.36	36.29%

**RUCO Direct**

Division/System	Usage (Gallons)	Current Bill	Proposed Bill	Dollar Change	Percent Change
Navajo	3,200	\$26.50	\$28.60	\$2.10	7.92%
Verde Valley (Pinewood, Rimrock)	3,000	\$33.27	\$30.35	(\$2.92)	(8.78%)
Verde Valley (Sedona)	8,800	\$39.57	\$48.90	\$9.33	23.58%

**Staff Direct**

Division/System	Usage (Gallons)	Current Bill	Proposed Bill	Dollar Change	Percent Change
Navajo	3,200	\$26.50	\$28.49	\$1.99	7.51%
Verde Valley (Pinewood, Rimrock)	3,000	\$33.27	\$29.50	(\$3.77)	(11.33%)
Verde Valley (Sedona)	8,800	\$39.57	\$48.93	\$9.36	23.65%

6. DSIC

In its application, AWC requested authorization to implement a DSIC for the Northern Group systems, describing it as a "ratemaking tool that allows utilities to recover the fixed costs (depreciation and rate of return) of non-revenue producing distribution system improvement projects completed between rate cases." (App. at 4.) Mr. Harris's testimony provided the details of the proposed DSIC,<sup>37</sup> which was projected to increase an average 5/8" x 3/4" meter residential

<sup>36</sup> This data is taken from Ex. A-7 at Schedules H-4, H-5; Ex. R-10 at Schedule RD-1; Ex. S-2 at Schedules JMM-1, JMM-2. AWC used slightly rounded figures for average monthly usage, and those figures are repeated here. The current bill amount for the Sedona system includes the ACRM surcharge applicable during the TY.

<sup>37</sup> The proposed DSIC included the following elements:

- (1) Plant eligible for recovery limited to non-revenue producing additions in NARUC USOA accounts 343, 344, 345, 346, 347, and 348;
- (2) DSIC to be filed on annual basis for plant added the prior year;

customer's bill by approximately \$0.76 to \$1.01 per month. (Ex. A-8 at 19-20, ex. JDH-7.) Mr. Harris testified that AWC must replace 190,500 feet of water mains, 9,580 service lines, and 8,020 meters and meter boxes in the Verde Valley and Navajo divisions in order to maintain water system integrity and adequate, reliable water service and that the estimated cost for such replacements is approximately \$84,211,000. (Ex. A-8 at 12-13; *see* Ex. A-11 at FKS-19.) Mr. Harris further testified that it would take AWC more than 70 years to replace the water mains alone, if AWC were to make those replacements at the same rate (2,700 feet per year) as it has averaged for the past 10 years. (Ex. A-8 at 12-13.) Mr. Harris stated that because AWC has been unable to recover its cost of service for the past 15 years, in spite of six rate cases and significant cost-cutting measures, AWC's shareholders will need to continue subsidizing the cost of providing water service with funds that could otherwise be used for infrastructure replacement. (*Id.* at 13.) Mr. Harris opined that no other ratemaking

- 
- (3) Each annual filing to include an update of projects included in first phase of infrastructure replacement, thus allowing Staff to review upcoming projects;
  - (4) WACC and depreciation rates approved in most recent rate decision used to determine return on investment and associated depreciation expense;
  - (5) The following supporting data required to be filed with each annual filing:
    - a. Most recent balance sheet;
    - b. Most recent income statements for AWC and each system affected;
    - c. Earnings test schedule for each system affected;
    - d. Rate review schedule for each system affected, showing impact of requested step increase on balance sheet and income statements;
    - e. Revenue requirement schedule showing calculation of requested increase, using rate of return, gross revenue conversion factor, and depreciation rate from most recent rate case and setting forth proposed monthly minimum and volumetric charges for 5/8" x 3/4" meter residential customer;
    - f. Schedule showing number of customers by meter size, gallons sold, and the calculation of surcharges, which must be designed to collect costs 50/50 through fixed surcharges and volumetric surcharges, with fixed surcharges scaled by meter size;
    - g. Schedule showing rate base from most recent rate case and as of the date for the balance sheet and income statements provided, with adjustments to reflect inclusion of completed and in-service DSIC-eligible facilities;
    - h. Construction Work in Progress ledger showing monthly charges related to construction of DSIC-eligible facilities;
    - i. Schedule showing calculation of AWC's three-factor allocation methodology; and
    - j. Schedule providing typical bill analysis for 5/8 x 3/4 customers;
  - (6) Staff required to review annual filing and prepare memorandum and recommended order for Commission approval, with Commission approval required before the DSIC surcharge could be implemented;
  - (7) DSIC surcharge required to be separate line item on customer bills, and AWC required twice each year to include message on bills explaining DSIC surcharge and AWC's progress with infrastructure replacement;
  - (8) DSIC phased in each year and capped at 7.5 percent of annual amount billed to customers under other applicable rates and charges;
  - (9) DSIC surcharges reset to zero, and list of completed and in-service DSIC-eligible plant additions reset to none, on effective date of each new general rate case decision, when completed and in-service DSIC-eligible plant included in rate base; and
  - (10) No annual DSIC filing to be made for any year in which affected system earns a rate of return exceeding its authorized rate of return. (Ex. A-8 at 16-19.)

1 strategy would work in place of the requested DSIC, unless rates were based on a future test year or  
2 AWC's rate of return were increased, because the infrastructure replacements will not increase sales,  
3 and pursuing annual general rate cases would be neither feasible nor cost-effective. (*Id.* at 13-14.)  
4 Mr. Harris also asserted that because AWC's company-wide need to replace infrastructure (estimated  
5 at \$192 million) increases the risk that AWC will not be able to earn a fair rate of return, AWC's rate  
6 of return should be increased to improve its ability to attract capital on reasonable terms. (*Id.* at 15-  
7 16.)

8 Ms. Ahern also testified in support of the DSIC, stating that in the absence of the requested  
9 DSIC, AWC's ability to finance and construct necessary infrastructure and to provide safe and  
10 reliable water service would be impaired because of the "extraordinary" amount of infrastructure  
11 needing to be replaced. (Ex. A-10 at 58, 61.) To support her position that the improvements that  
12 would be eligible for the DSIC are not "routine," Ms. Ahern cited AWC's "distressed financial  
13 condition," its need to attract capital on reasonable terms, and its need to replace plant to comply with  
14 a Commission directive to reduce water loss. (*Id.* at 61.) Ms. Ahern further testified that DSIC  
15 mechanisms have been widely accepted and adopted throughout the country; are considered credit  
16 supportive by both Standard & Poor's and Moody's; are a "best regulatory practice" according to the  
17 National Association of Regulatory Utility Commissioners ("NARUC"); and benefit customers  
18 because more timely infrastructure improvements enhance the reliability and quality of water service,  
19 more frequent and smaller rate increases alleviate rate shock through gradualism, and replacement of  
20 antiquated infrastructure reduces water loss and results in lower operating costs on a long-term basis.  
21 (*Id.* at 58, 61, 67-68.)

22 In its original direct testimony, Staff did not analyze the DSIC proposed by AWC in this case.  
23 (Ex. S-1 at 30.) Rather, Staff recommended that the "Commission adopt, in this case, whatever the  
24 outcome is in [the Eastern Group Docket] for its DSIC." (*Id.*) Mr. Michlik noted the Commission's  
25 direction for the Eastern Group Docket's proposed DSIC and other DSIC-type mechanisms to be  
26 discussed in Phase 2 of the Eastern Group Docket and deferred to that process and its outcome. (*See*  
27 *id.*)

28 ...

1 In its original direct testimony, RUCO recommended that the Commission reject the proposed  
 2 DSIC for four reasons: (1) AWC is seeking to recover, through the DSIC and outside of a rate case,  
 3 for routine plant improvements that would normally be recovered through a general rate case; (2) the  
 4 DSIC is one-sided and works only in the interest of shareholders because it allows for cost recovery  
 5 for new plant but does not consider any operations and maintenance expense savings attributable to  
 6 the new plant; (3) no federal or state requirement mandates the plant additions for which AWC seeks  
 7 to recover through the DSIC; and (4) AWC has not established that it will be unable to provide safe  
 8 and reliable water service or to achieve cost recovery without a DSIC. (Ex. R-7 at 5.) Additionally,  
 9 RUCO stated that there are “legal concerns” with implementation of a DSIC, which RUCO would  
 10 address in legal briefs if necessary. (*Id.*) Mr. Rigsby testified: “RUCO believes that adjustor  
 11 mechanisms are extraordinary rate recovery devices that are permitted for certain narrow  
 12 circumstances . . . [but] routine replacement of aging infrastructure . . . does not qualify as an  
 13 extraordinary circumstance.” (*Id.* at 7-8.) Mr. Rigsby differentiated the DSIC from the ACRM  
 14 because the proposed DSIC is not “specifically designed to address a one-time event [impacting]  
 15 dozens of Arizona water companies simultaneously.” (*Id.* at 8.) To support RUCO’s position, Mr.  
 16 Rigsby cited a 1999 National Association of State Utility Consumer Advocates (“NASUCA”) <sup>38</sup>  
 17 resolution opposing the adoption and implementation of DSIC-like mechanisms;<sup>38</sup> a September 2009  
 18 survey report by a principal of the National Regulatory Research Institute (“NRRI”) concluding that  
 19 cost trackers, which Mr. Rigsby stated are similar to AWC’s proposed DSIC, can result in higher  
 20 utility costs and undercut the positive effects of regulatory lag, such as motivation for a utility to cut  
 21 costs; April 2009 testimony before the Pennsylvania House Consumer Affairs Committee provided  
 22 by Pennsylvania’s RUCO counterpart, opposing a DSIC-like mechanism for the natural gas industry  
 23 as a “one-way street that can only increase rates between rate cases, even if a utility’s other costs are  
 24 going down or its revenues are going up”;<sup>39</sup> and a May 2012 American Association of Retired  
 25 Persons (“AARP”) report warning that DSIC-like mechanisms can result in increased costs to  
 26 consumers, disincentives for utilities to control costs, and the shifting of business risks away from

27  
 28 <sup>38</sup> The NASUCA resolution was admitted as Exhibit R-7 att. A.

<sup>39</sup> The testimony of the Pennsylvania Consumer Advocate was admitted as Exhibit R-7 att. B.

investors and onto customers.<sup>40</sup> (*Id.* at 9-12.) Mr. Rigsby also cited a prior Commission decision rejecting a similar cost recovery mechanism for a different utility.<sup>41</sup> (*Id.* at 12.) Mr. Rigsby stated that RUCO's problems with the DSIC would be mitigated if an operations and maintenance ("O&M") expense credit, as to every foot of replacement line for which AWC recovers through the DSIC, were applied to customer bills at the same time as the DSIC surcharges went into effect. (*Id.* at 14-15.) Mr. Rigsby also stated that although RUCO had not recommended any adjustment to AWC's proposed increase in O&M expense, RUCO believed that a downward adjustment to O&M expense should be made if the Commission were to approve AWC's proposed DSIC without a corresponding O&M expense credit. (*Id.* at 15.)

#### IV. The Settlement Agreement—AWC and Staff

##### A. Generally

The Settlement Agreement, attached hereto and incorporated herein as Exhibit B,<sup>42</sup> was executed on April 15, 2013, by AWC and Staff ("Signatories"), specifically Mr. Garfield and Mr. Olea. (Ex. A-1 at 7-8.) RUCO did not enter into the Settlement Agreement.

The Settlement Agreement states that the negotiation process was open, transparent, and inclusive of the Signatories and RUCO, with each party having an equal opportunity to participate, and that the Signatories and RUCO, along with their counsel, principal witnesses, and representatives, attended and actively participated in all phases of the settlement discussions. (Ex. A-1 at 2, § 1.7.) The Settlement Agreement states that it is the result of the discussions and the Signatories' and RUCO's good faith efforts to settle all of the issues in this case. (*Id.*)

The stated purpose of the Settlement Agreement is to settle all issues in this case in a manner that will promote the public interest, provide for a prompt resolution of the issues, and allow expeditious implementation of the new rates as ordered by the Commission. (*Id.*, § 1.8.) The Settlement Agreement asserts:

...

...

<sup>40</sup> The AARP report was admitted as Exhibit R-7 att. C.

<sup>41</sup> Decision No. 72047 (January 6, 2011).

<sup>42</sup> The Settlement Agreement was admitted herein as Exhibit A-1.

[T]he terms of this Agreement will serve the public interest by providing a just and reasonable resolution of the issues presented by the Rate Case, establishing just and reasonable rates for AWC's customers, and promoting the health, welfare and safety of AWC's customers. Commission approval of this Agreement will further serve the public interest by allowing the Signatory Parties to avoid the expense and delay associated with continued litigation. The Signatory Parties believe the provisions set forth in this Agreement address the issues raised by RUCO, except as to the negotiated rate of return on common equity . . . as it relates to 1) the impact of the System Improvement Benefits ("SIB") mechanism, and 2) the negotiated rate design's incorporation of a declining usage adjustment.<sup>43</sup>

The Signatories desire for the Commission to find the terms and conditions of the Settlement Agreement to be just and reasonable and in the public interest, along with all other necessary findings; to approve the Settlement Agreement; and to order the Settlement Agreement and the rates contained therein to become effective at the earliest practicable date. (*Id.* at 2, § 1.10.)

The Settlement Agreement includes numerous supporting schedules providing data for the Northern Group and its divisions, with distinctions for the different commodity rate designs within the Verde Valley division. (*See id.* at Schedules Settlement ("S.A.") A-1 through H-4.) The supporting schedules detail and support the Signatories' agreements related to revenue requirement, rate base, TY income and expenses, cost of capital, and rate design. (*See id.*) The Settlement Agreement also includes, as Exhibit 1, the SIB Agreement from Phase 2 of the Eastern Group Docket. (Ex. A-1 at 4, § 6.0, ex. 1.) The SIB Agreement itself includes the following exhibits:

- Exhibit A: Table I, "Information to be included with SIB-Eligible Project Notification," a detailed list by system and NARUC Uniform System of Accounts ("USOA") account number of the replacement plant eligible for SIB treatment, with estimated costs;
- Exhibit B: SIB Schedule B, setting forth the calculations to determine any SIB revenue true-up amount for the prior 12 months and to determine any necessary fixed surcharge or credit;
- Exhibit C: SIB Plant Table II, "Information to be included with SIB-Eligible Completed Project Filings," a detailed list of information, organized by NARUC USOA account number, identifying SIB-eligible plant projects completed and corresponding retirements;

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<sup>43</sup> Ex. A-1 at 2, § 1.9.

- Exhibit D: SIB Schedule A, setting forth the calculations to determine the overall SIB revenue requirement and efficiency credit as well as individual SIB fixed surcharges and efficiency credits;
- Exhibit E: SIB Schedule C, providing the typical bill analysis for residential 5/8" x 3/4" meter customers; and
- Exhibit F: SIB Schedule D, showing, for the most recent rate case, for each SIB Step increase, and pro forma with cumulative SIB Step increases, simplified breakdowns of revenues, expenses, and income; rate base; return on rate base; capital structure; total equity; and return on equity ("ROE").<sup>44</sup>

The Settlement Agreement also includes, as Exhibit 2, an Off-Site Facilities Fee Tariff for the Sedona system. (Ex. A-1 at ex. 2.)

**B. Revenue Requirement, Rate Base, Income Statements, and Adjustments to Same**

The Signatories agree on the following adjusted TY results, OCRB/FVRB, and revenue requirements for the Northern Group and its divisions:<sup>45</sup>

	<b><u>Northern Group</u></b>	<b><u>Navajo Division</u></b>	<b><u>Verde Valley Division</u></b>
TY Adjusted Operating Revenues:	\$10,256,611	\$3,663,832	\$6,592,779
TY Adjusted Operating Expenses:	\$8,572,217	\$3,188,861	\$5,383,356
TY Adjusted Operating Income:	\$1,684,394	\$474,971	\$1,209,423
Adjusted OCRB/FVRB:	\$36,045,295	\$10,060,534	\$25,984,762
TY Rate of Return:	4.67%	4.72%	4.65%
Required Operating Income:	\$3,044,018	\$849,610	\$2,194,408
Operating Income Deficiency:	\$1,359,624	\$374,639	\$984,985
Gross Revenue Conversion Factor	1.6478	1.6510	1.6465
<b>Required Revenue Increase:</b>	<b>\$2,240,329</b>	<b>\$618,535</b>	<b>\$1,621,794</b>
<b>Required Revenue Increase %:</b>	<b>21.8%</b>	<b>16.9%</b>	<b>24.6%</b>
Required Operating Revenues:	\$12,496,939	\$4,282,366	\$8,214,573
<b>Required Rate of Return:</b>	<b>8.44%</b>	<b>8.44%</b>	<b>8.44%</b>

The required revenue increase figures set forth above for the Northern Group as a whole and for the Verde Valley division include \$584,929 in TY revenue generated in the Verde Valley's Sedona system by an ACRM surcharge, which will no longer be in effect after this case. (Tr. at 239-40.)

<sup>44</sup> Ex. A-1 at ex. 1.

<sup>45</sup> See Ex. A-1 at 2-3, §§ 2.1 through 2.9, Schedules S.A. A-1, B-1, B-2, B-2 app., C-1, C-2, C-2 app., C-3.

1 When the TY ACRM surcharge revenue is deducted, the required revenue increase for the Northern  
2 Group is \$1,655,400 or 16.14 percent and for the Verde Valley division is \$1,036,865 or 15.73  
3 percent, which should more accurately reflect the increase that will be perceived by Sedona  
4 customers. (*See id.*)

5 The OCRB/FVRB figures agreed to by the Signatories reflect adjustments made to true-up  
6 post-TY plant to reflect actual costs; to remove from plant the cost of land purchased for an arsenic  
7 facility to be built in the Overgaard system; to make working cash calculation consistent with agreed  
8 settlement expenses, which included an interest expense component, and with the calculation method  
9 used in AWC's most recent rate cases; and to allocate costs for a post-TY Phoenix office plant  
10 project to the Northern Group divisions using a previously approved three-factor allocation method.  
11 (*See Ex. A-1 at Scheds. S.A. B-1, B-2, B-2 app., B-5 app.; Tr. at 192-96.*)

12 The adjusted TY revenue and operating expense figures agreed to by the Signatories reflect  
13 reversal of AWC's proposed weather and usage normalization adjustments because the Signatories  
14 agreed instead to reflect post-TY declines in customer usage through a five-percent downward  
15 adjustment to the billing determinants for the Northern Group. (*See Ex. A-1 at 4, § 4.3, Sched. S.A.*  
16 *C-2 app. at 1; Ex. A-3 at 6; Tr. at 92-94, 112-13, 118-19, 196.*) The adjusted TY operating expenses  
17 also reflect adoption of Staff-recommended downward adjustments to AWC's proposed T&D  
18 maintenance expenses, miscellaneous expenses, BMP expenses, and rate case expense; adjustments  
19 to depreciation expense to be consistent with Settlement Agreement plant adjustments; and  
20 adjustments to property tax and income tax expenses to be consistent with Settlement Agreement-  
21 adjusted TY revenues and revenue requirements. (*See Ex. A-1 at Scheds. S.A. C-1, C-2, C-2 app.;*  
22 *Tr. at 196-201.*)

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1 C. Cost of Capital

2 The Signatories agree on the following calculation of AWC's cost of capital for the Northern  
3 Group:<sup>46</sup>

	<u>Weight</u>	<u>Cost</u>	<u>Weighted Avg. Cost</u>
4 Common Equity:	51.1%	10.0%	5.11%
5 Debt:	48.9%	6.82%	<u>3.33%</u>
6 Weighted Avg. Cost of Capital:			8.44%

7 D. Rate Consolidation and Design

8 The Settlement Agreement rate design, included as Schedule H-3 to the Settlement  
9 Agreement and also set forth in the last column of Exhibit A hereto for purposes of comparison,  
10 reflects the Signatories' agreement that full consolidation of the Sedona system into the Verde Valley  
11 division should be completed. (See Ex. A-1 at 4, § 4.3, § 5.1, Sched. S.A. H-3.)

12 The Settlement Agreement rate design for residential customers uses monthly minimum  
13 charges that are somewhat higher than those recommended by Staff on direct, but for other customer  
14 classes uses Staff's recommended monthly minimum charges. (See Ex. A-1 at Sched. S.A. H-3; Ex.  
15 S-2 at Sched. JMM-1.) The Settlement Agreement rate design also incorporates Staff's  
16 recommended commodity rate tier break-over points for all customer classes, but sets the commodity  
17 rates themselves somewhat higher than those recommended by Staff on direct. (See Ex. A-1 at  
18 Sched. S.A. H-3; Ex. S-2 at Sched. JMM-1.)

19 Compared to existing rates, the Settlement Agreement monthly minimum charges for the  
20 Navajo division would increase by approximately 36.5 percent for residential customers and 81.9  
21 percent for other customer classes, while the commodity rates would decrease slightly for the first tier  
22 of usage for 5/8" x 3/4" meter residential customers and increase for all other usage for all  
23 customers.<sup>47</sup> (See Ex. A-1 at Sched. S.A. H-3.) In Verde Valley, all customers would see their  
24 monthly minimum charges increase (by approximately 9.6 percent for residential customers and  
25 between 15 and 17.8 percent for other customer classes). (See Ex. A-1 at Sched. S.A. H-3.)  
26 Customers in the Sedona system would also see their commodity rates increase, in amounts ranging

27 <sup>46</sup> Ex. A-1 at 3, § 3.1, Sched. S.A. D-1.

28 <sup>47</sup> Mr. Reiker testified that the Navajo division has very seasonal customers and usage, which is why average usage is so low and why its rates are so different from those of the Verde Valley division. (See Tr. at 205-06.)

from 38.47 percent for 5/8" x 3/4" meter residential customers' first-tier usage to 87.62 percent at the highest tier of usage for all customer classes other than industrial.<sup>48</sup> (*See id.*) But customers in the Pinewood and Rimrock systems would see all of their commodity rates decrease (by approximately 37.4 percent for the 5/8" x 3/4" meter residential customers' first-tier usage and 15.3 percent or more for all other usage for all customers other than industrial customers<sup>49</sup>). (*See id.*) According to Mr. Reiker, the Settlement Agreement rate design would generate 51 percent of revenues through the fixed monthly minimum charge, for the Northern Group as a whole and for each of the two divisions. (Tr. at 204.)

The Northern Group systems currently share the same service line and meter installation charges and miscellaneous charges and would continue to do so under the Settlement Agreement rate design, although these charges are revised in the Settlement Agreement to be consistent with the charges recently approved for the Western and Eastern Group systems. (*See* Ex. A-1 at Sched. S.A. H-3; Decision No. 73144 (May 1, 2012); Decision No. 73736 (February 20, 2013); Decision No. 73829 (April 10, 2013).)

The Settlement Agreement rate design would have approximately the following impacts on the monthly bills of 5/8" x 3/4" meter residential customers with average and standardized<sup>50</sup> usage within each Northern Group division/system:<sup>51</sup>

#### Settlement Agreement Rate Design

Division/System	Usage (Gallons)	Current Bill	Settlement Bill	Dollar Change	Percent Change
Navajo	3,150	\$26.24	\$29.82	\$3.58	13.64%
	7,500	\$48.57	\$53.40	\$4.84	9.96%
Verde Valley (Pinewood, Rimrock)	3,036	\$33.42	\$31.82	(\$1.60)	(4.78%)
	7,500	\$52.33	\$47.68	(\$4.65)	(8.89%)
Verde Valley (Sedona)	8,751	\$43.97	\$52.13	\$8.15	18.54%
	7,500	\$41.23	\$47.68	\$6.45	15.63%

<sup>48</sup> Industrial customers would see a commodity rate increase of approximately 111.46 percent; they currently pay, for all usage, a single commodity rate set lower than the first-tier commodity rate for all but the smallest residential customers. (*See id.*)

<sup>49</sup> Industrial customers would receive a much more modest decrease for usage because they currently pay a rate set below the first-tier commodity rate of all users other than 5/8" x 3/4" meter residential customers. (*See* Ex. A-1 at Sched. S.A. H-3.)

<sup>50</sup> Standardized usage figures, at 7,500 gallons, are provided to facilitate comparisons of impact between systems/divisions.

<sup>51</sup> *See* Ex. A-1 at Sched. S.A. H-4; Ex. A-18. The current bill amounts for the Sedona system include ACRM surcharge amounts.

1 E. System Improvement Benefits ("SIB") Mechanism

2 The Settlement Agreement states the following regarding the SIB Agreement:

3 For ratemaking purposes and for the purposes of this Agreement, the  
 4 Signatory Parties agree that the terms and conditions of the SIB Settlement  
 5 as is ultimately approved by the Commission in Docket No. W-01445A-  
 6 11-0310 shall be applicable to AWC's Navajo (Lakeside, Pinetop Lakes,  
 7 Overgaard and Forest Towne) and Verde Valley (Sedona, Valley Vista,  
 8 Pinewood and Rimrock) public water systems, and that the SIB  
 9 mechanism adopted in the SIB Settlement shall be available to those  
 10 systems under the terms and conditions set forth in the SIB Settlement,  
 11 adjusted as appropriate to reflect the specific projects eligible for SIB  
 12 treatment in the Pinetop Lakes, Overgaard, Sedona, Pinewood, and  
 13 Rimrock public water systems. The Signatory Parties agree that all factors  
 14 incorporated into the SIB Settlement and its application to AWC's  
 15 Northern Group in this proceeding have been carefully considered in  
 16 reaching settlement on the Cost of Capital . . . .<sup>52</sup>

17 In the Phase 2 Decision, the Commission modified the SIB Agreement by requiring AWC to  
 18 file the following information with each SIB surcharge adjustment filing, to the extent that the SIB  
 19 Agreement did not already require the information to be filed:

20 (1) the most current balance sheet at the time of the filing; (2) the most current  
 21 income statement; (3) an earnings test schedule; (4) a rate review schedule  
 22 (including the incremental and pro forma effects of the proposed increase); (5)  
 23 a revenue requirement calculation; (6) a surcharge calculation; (7) an adjusted  
 24 rate base schedule; (8) a CWIP ledger (for each project showing accumulation  
 25 of charges by month and paid vendor invoices); (9) calculation of the three  
 26 factor formula (as requested by Staff); and (10) a typical bill analysis under  
 27 present and proposed rates.<sup>53</sup>

28 The Commission further modified the SIB Agreement by requiring AWC to perform an  
 earnings test calculation for each initial and annual SIB filing, to show whether the actual rate of  
 return for the relevant 12-month period for each affected system or division exceeded the most  
 recently authorized fair value rate of return for the system or division. (Decision No. 73938 at 51.)  
 The Commission specified that the earnings test calculation must use (1) "the most recent available  
 operating income, adjusted for any operating revenue and expense adjustments adopted in the most  
 recent general rate case;" and (2) the rate base adopted in the most recent general rate case, updated

<sup>52</sup> Ex. A-1 at 4, § 6.1. Mr. Reiker clarified during the hearing that this language in the Settlement Agreement was intended to mean that AWC and Staff would accept the outcome of the Commission's Phase 2 consideration of the SIB Agreement, for purposes of the Settlement Agreement in this case, even if that outcome were denial of the SIB. (Tr. at 57-58.)

<sup>53</sup> Decision No. 73938 at 50-51.

1 for changes in plant, accumulated depreciation, contributions in aid of construction ("CIAC"),  
2 advances in aid of construction ("AIAC"), and accumulated deferred income taxes ("ADIT") through  
3 the most recent quarterly or longer financial statement available. (*Id.*) The Commission further  
4 required that the results of the earnings test be used to determine whether a SIB surcharge will go into  
5 effect and to what extent:

6           If the earnings test calculation described herein shows that [AWC] will not  
7           exceed its authorized rate of return with the implementation of the SIB  
8           surcharge, the surcharge for the year may go into effect upon issuance of  
9           the surcharge approval order and subject to the conditions described  
10          herein. But if the earnings test calculation described herein shows that  
11          [AWC] will exceed its authorized rate of return with the implementation  
12          of any part of the SIB surcharge, the surcharge for that year may not go  
13          into effect. Lastly, if the earnings test calculation described herein shows  
14          that [AWC] will exceed its authorized rate of return with the  
15          implementation of the full surcharge, but a portion of the surcharge may  
16          be implemented without exceeding the rate of return, then the surcharge  
17          may be authorized up to that amount, again upon issuance of the surcharge  
18          approval order and subject to the conditions described herein. We  
19          reiterate that the proposed SIB surcharges shall be evaluated by the  
20          Commission according to all relevant factors, including the results of the  
21          earnings test. In any event, the earnings test shall not impact the approval  
22          of the SIB mechanism or the possibility of SIB surcharges<sup>54</sup> in future years  
23          where authorized in accordance with the SIB mechanism.

24           The Commission additionally revised the SIB Agreement by adopting several alternative  
25           schedules for calculating the SIB that had been provided by AWC during the Phase 2 hearing after  
26           AWC determined that the original schedules did not reflect the tax benefits of incremental interest  
27           expenses. (Decision No. 73938 at 54 n40; Phase 2 Tr. at 221-32.) Those alternative schedules,  
28           which were attached to Decision No. 73938 as Attachment B, are attached hereto and incorporated  
29           herein as Exhibit C.

30           Finally, the Commission directed that Staff should prepare a Staff Report and Proposed Order  
31           for the Commission's consideration with each SIB surcharge filing, modifying the SIB Agreement's  
32           requirement for AWC to provide a proposed order for Commission consideration with each SIB  
33           filing. (Decision No. 73938 at 58.)

34           The Commission determined that the SIB Agreement, with the modifications made in the  
35           Decision, "represents a reasonable compromise of contested issues, is in accord with Arizona law

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<sup>54</sup> *Id.* at 51.

1 and, as a whole, is consistent with the public interest.” (*Id.* at 59.) The Commission further  
 2 concluded that the SIB mechanism embodied in the SIB Agreement complies with the Commission’s  
 3 constitutional requirements and with the case law interpreting the Commission’s authority and  
 4 discretion in setting rates; that the Commission has the constitutional ratemaking authority to approve  
 5 adjustment mechanisms in a general rate case; and that the SIB Agreement and SIB mechanism  
 6 embodied therein, as modified by the Commission, satisfy the fair value concerns addressed by  
 7 various court decisions. (*Id.*)

8 F. Other Settlement Issues

9 The Signatories agree that AWC should be permitted to collect OSFFs as proposed in its  
 10 Application and agree on the language of the OSFF (Water) Tariff Schedule attached as Exhibit 2 to  
 11 the Settlement Agreement and incorporated therein by reference. (Ex. A-1 at 4, § 7.1, ex. 2.) By its  
 12 terms, the OSFF Tariff Schedule applies to the Verde Valley’s Sedona system, expressly including  
 13 the Sedona PWS and the Valley Vista PWS. (Ex. A-1 at ex. 2.)

14 The Signatories agree that AWC should be authorized to implement an ACRM for the Navajo  
 15 and Verde Valley divisions. (Ex. A-1 at 4, § 7.2.)

16 The Signatories agree that AWC may defer, for recovery in a future general rate case, AWC’s  
 17 costs associated with implementing and performing its Commission-approved BMPs and, further,  
 18 that AWC should record deferral of its BMP costs. (Ex. A-1 at 5, § 7.3.)

19 G. Additional Provisions

20 The Signatories acknowledge in the Settlement Agreement that the Commission will  
 21 independently consider and evaluate the terms of the Settlement Agreement. (Ex. A-1 at 5, § 8.3.)  
 22 The Settlement Agreement provides that if the Commission issues an order adopting all material  
 23 terms of the Settlement Agreement, such action shall constitute Commission approval of the  
 24 Settlement Agreement, and the Signatories shall thereafter abide by the terms as approved by the  
 25 Commission. (*Id.* at 5, § 8.4.) The Settlement Agreement further provides that the Signatories agree  
 26 to waive their rights to appeal a Commission Decision approving the Settlement Agreement, provided  
 27 that the Commission approves all material provisions of the Settlement Agreement. (*Id.* at 5, § 8.5.)

28 The Settlement Agreement provides that AWC shall file compliance tariffs, consistent with

1 any order of the Commission, for Staff review and approval and that such compliance tariffs shall  
2 become effective on the effective date of the rate increase stated in the Commission's order. (*Id.* at 5,  
3 § 8.6.)

4 The Settlement Agreement also states that if the Commission fails to issue an order adopting  
5 all material terms of the Settlement Agreement, or adds new or different material terms to the  
6 Settlement Agreement, or decides any issue or adopts any position in conflict with any material term  
7 of the Settlement Agreement, a Signatory may withdraw from the Settlement Agreement and may  
8 pursue remedies at law. (*Id.* at 5, § 8.7.) The Settlement Agreement provides that "whether a term is  
9 material shall be left to the discretion of the Signatory Party choosing to withdraw." (*Id.*) In  
10 addition, the Settlement Agreement provides that if AWC files an application for rehearing before the  
11 Commission, "Staff shall not be obligated to file any document or take any position regarding the  
12 AWC's application for rehearing." (*Id.* at 5-6, § 8.7.) The Settlement Agreement also acknowledges  
13 that "Staff does not have the power to bind the Commission." (*Id.* at 6, § 8.7.)

14 **V. AWC and Staff Testimony in Support of the Settlement Agreement**

15 Mr. Reiker testified in support of the Settlement Agreement, stating that the Settlement  
16 Agreement is just and reasonable and in the public interest, that it provides benefits to all parties, and  
17 that it serves the public interest by allowing the parties to avoid the expense and delay associated with  
18 continued litigation. (Ex. A-3 at 5.) Mr. Reiker opined that the Settlement Agreement will result in  
19 rates, charges, and conditions of service that are just and reasonable and in the public interest because  
20 the Settlement Agreement will (1) provide AWC an opportunity to recover its cost of providing  
21 service to the public, including the cost of capital deployed to provide the service; (2) through the  
22 SIB mechanism and ACRM, provide for partial recovery of known and measurable costs associated  
23 with qualifying infrastructure replacement projects and arsenic removal facilities; and (3) through the  
24 OSFF Tariff, assign the costs of constructing additional off-site facilities needed to provide water  
25 production, treatment, delivery, storage, and pressure to the new customers whose additional demand  
26 necessitates the additional facilities. (Ex. A-3 at 9.)

27 Regarding the SIB Agreement and operation of the SIB, Mr. Reiker explained that the  
28 specific SIB-eligible projects contemplated by AWC for the Northern Group and listed in SIB Plant

1 Table I are the same projects previously identified in the three-year plan included with Mr.  
2 Schneider's direct testimony.<sup>55</sup> (Ex. A-3 at 8; Tr. at 58-59.)

3 Mr. Olea testified that AWC, RUCO, and Staff all participated in the settlement meetings; that  
4 all parties were accorded an opportunity to raise, discuss, and propose resolutions to any issue; that  
5 all parties had an opportunity to be heard and to have their issues and input fairly considered; and that  
6 all parties "zealously advocated and represented their interests" in the "candid but professional"  
7 discussions. (Ex. S-5 at 4-5.) According to Mr. Olea, Staff's primary goal in rate proceedings is to  
8 protect the public interest by making recommendations that are just, fair, and reasonable for both the  
9 ratepayers and the utility, and Staff believes it has accomplished that goal in this matter because the  
10 Settlement Agreement will result in AWC's having the "tools and financial health" to provide safe,  
11 adequate, and reliable service, at just and reasonable rates, while complying with Commission  
12 requirements. (*Id.* at 8.) Mr. Olea stated that the "Signatories compromised on what could be  
13 described as vastly different litigation positions" and that those compromises furthered the public  
14 interest. (*Id.* at 5.)

15 Mr. Olea identified the major policy considerations for the Signatories as whether AWC  
16 should have a SIB mechanism for its Northern Group and whether rates should be set to reflect a  
17 reduction in water sales attributed to the inclining block tiered rate design and the BMPs being  
18 implemented by AWC. (*Id.* at 8-9.) Mr. Olea stated that allowing AWC to use the SIB mechanism  
19 for its Northern Group will benefit both AWC and its customers, for all of the reasons outlined by  
20 Staff in Phase 2 of the Eastern Group Docket. (*Id.* at 8.) Regarding the five-percent reduction in  
21 billing determinants, Mr. Olea explained that because Staff believes the proposed rate design and  
22 Commission-approved BMPs will have the effect of reducing overall water use, "some type of water  
23 use reduction had to be included in the revenue requirement calculation" in order to allow AWC to  
24 have the opportunity to earn its approved rate of return. (*Id.* at 9.) Staff believes that the five-percent  
25 figure is proper and adequate for AWC in this case. (*Id.*)

26  
27 <sup>55</sup> SIB Plant Table I was admitted as Exhibit A-2. Staff's engineer reviewed the three-year-plan projects; found the  
28 three-year-plan projects, with their projected costs, to be a reasonable and appropriate proposal; and recommended  
implementation of the three-year-plan projects to address water loss in the Northern Group. (Ex. S-4 at ex. KS at ii, 38-39.)

1 Mr. Olea also asserted that both AWC and its ratepayers/customers want the same outcome—  
 2 the provision of proper, adequate, safe, and reliable water utility service at a fair and reasonable  
 3 price—although the two may differ on how to achieve that outcome. (*Id.* at 5.) Mr. Olea testified  
 4 that the Settlement Agreement resulted from a balancing of the interests of AWC and its  
 5 ratepayers/customers and is fair, balanced, and in the public interest. (*Id.* at 7-8.) According to Mr.  
 6 Olea, ratepayers are going to pay just and reasonable rates for the services and product received,  
 7 without going through a long and drawn-out proceeding; the adjustment made for declining usage  
 8 should help to mitigate whatever increase might be needed in AWC's next Northern Group rate case  
 9 if usage does decline as expected; the Settlement Agreement rate design is in customers' best  
 10 interests; and the Settlement Agreement as a whole is in customers' best interests. (*See* Tr. at 279,  
 11 295-301.)

12 Mr. Olea testified that the SIB Agreement is intended to be used as a template for other  
 13 companies, which will be beneficial because the types of plant eligible for SIB treatment will be  
 14 known up front in a rate case through the tables, any changes would need to be documented so that  
 15 the exact plant for the SIB is known, there will be annual filings, there will be a six-month filing, and  
 16 there is a system set up to allow the process to move quickly. (Tr. at 263-64.) Mr. Olea stated that if  
 17 it does not work as expected, the SIB will either be changed or eliminated. (Tr. at 264-65.) Staff will  
 18 be reviewing every comment and complaint filed related to the SIB so that appropriate action can be  
 19 taken. (Tr. at 265.)

## 20 **VI. RUCO's Opposition to the Settlement Agreement**

21 RUCO opposes the Settlement Agreement because RUCO disagrees with the SIB mechanism,  
 22 the declining usage adjustment used in creating the Settlement Agreement rate design, and the overall  
 23 rate of return.<sup>56</sup> (*See* Ex. R-5 at 4.)

### 24 **A. SIB Mechanism**

25 According to Mr. Rigsby, RUCO opposes the SIB mechanism because RUCO believes that  
 26 the SIB mechanism (1) shifts risk from AWC to ratepayers without providing adequate financial  
 27

28 <sup>56</sup> Mr. Rigsby also mentioned that the Settlement Agreement does not address fire flow upgrades, which he stated have been "problematic" in the past. (Ex. R-5 at 15.)

1 consideration to the ratepayers in return, (2) is not legal in Arizona, (3) is flawed as proposed, and (4)  
 2 is not in the public interest. (Ex. R-5 at 9-10.) Mr. Rigsby explained that RUCO believes the SIB  
 3 mechanism shifts risk to ratepayers by reducing regulatory lag<sup>57</sup> for AWC without adjusting for (and  
 4 flowing through to ratepayers) any actual cost savings attributable to the new plant. (*Id.* at 10.) Mr.  
 5 Rigsby asserted that regulatory lag serves as a “surrogate for the competitive pressures that force  
 6 unregulated companies to keep their costs low.” (*Id.* at 11.) Mr. Rigsby testified that unlike a typical  
 7 adjustor mechanism, such as for fuel purchases, which “operates on a two way street basis by flowing  
 8 both increases and decreases in costs to ratepayers,” the SIB mechanism creates a “one way street”  
 9 because AWC receives cost recovery through the SIB mechanism, but ratepayers receive no actual  
 10 cost savings and additionally no longer benefit from rate stability. (*Id.*) Mr. Rigsby acknowledged  
 11 the five-percent efficiency credit adopted in the SIB Agreement, but described it as “woefully  
 12 inadequate” to make up for the shift in risk to ratepayers, who RUCO believes would receive no other  
 13 financial benefit from the Settlement Agreement. (*Id.* at 11, 14.) Mr. Rigsby stated that there simply  
 14 is no equitable quid pro quo provided to ratepayers. (Tr. at 330-31.)

15 Although Mr. Rigsby left the details of RUCO’s legal argument against the SIB mechanism to  
 16 RUCO’s brief, discussed below, Mr. Rigsby stated that RUCO believes the SIB mechanism will not  
 17 fulfill the Arizona Constitution’s requirement for a fair value determination because the Commission  
 18 “will not be making a meaningful fair value finding as part of each surcharge filing.”<sup>58</sup> (Ex. R-5 at  
 19 12-13.) Mr. Rigsby also quoted Staff’s language from its Opening Brief in Phase 1 of the Eastern  
 20 Group case, in which Staff characterized the DSIC as unconstitutional. (*Id.* at 12.) Mr. Rigsby  
 21 asserted that the abbreviated review period for a SIB surcharge application will be inadequate to  
 22 perform a proper regulatory review for prudence and reasonableness and criticized the SIB  
 23 mechanism as “piecemeal ratemaking” and as a means of allowing recovery for the costs of routine  
 24 plant replacement in the absence of extraordinary circumstances such as a government mandate. (*Id.*

25 <sup>57</sup> Mr. Rigsby defined regulatory lag as “the time that it takes for a utility to recover the costs of plant additions placed  
 26 into service between general rate case proceedings through new rates” and stated that the SIB mechanism would allow  
 27 AWC to recover a return on SIB-eligible plant, and a return of the depreciation expense associated with that plant,  
 without having to wait for a general rate case. (Ex. R-5 at 10-11.)

28 <sup>58</sup> Mr. Rigsby opined that the fair value finding will not be meaningful because a SIB surcharge could be established  
 within 30 days after AWC’s request, and thus will not receive the same level of scrutiny that would occur in a general rate  
 case proceeding. (Ex. R-5 at 14.)

1 at 14-15; Tr. at 370.) According to Mr. Rigsby, there is no reason to believe that AWC would be  
 2 unable to provide safe and reliable service or to obtain cost recovery without a SIB mechanism. (Ex.  
 3 R-5 at 15.) Mr. Rigsby expressed concern that the water loss threshold for SIB mechanism eligibility  
 4 might “have the unintended effect of encouraging utilities to exceed the 10.00 percent threshold just  
 5 to qualify for a SIB surcharge.” (*Id.*) Rather than elaborating further on the flaws of the SIB  
 6 Agreement, Mr. Rigsby referred to RUCO’s Closing Brief in Phase 2 of the Eastern Group rate case.  
 7 (*Id.*)

8 As to the SIB mechanism’s not being in the public interest, Mr. Rigsby referred to  
 9 NASUCA’s 1999 resolution, stating that frequent rate increases reduce rate stability and distort  
 10 proper price signals, that mechanisms like the SIB have not been proven to reduce the frequency of  
 11 rate cases,<sup>59</sup> that such mechanisms can inappropriately reward utilities that have imprudently fallen  
 12 behind in infrastructure improvements, and that such mechanisms inappropriately shift business risk  
 13 away from utilities and toward consumers just to cause the utilities to meet their obligations to  
 14 provide safe and adequate service. (*Id.* at 16-17.)

15 Mr. Rigsby observed that not much had been heard about AWC cost-cutting efforts in the  
 16 hearing for this matter and questioned whether the SIB mechanism creates less incentive for AWC to  
 17 operate more efficiently or control costs, because its rates will not be “frozen” between rate cases.  
 18 (Tr. at 339-40, 392.) Mr. Rigsby testified that he was familiar with AWC’s pre-filed testimony  
 19 related to cost-cutting measures started in early 2008. (Tr. at 393-94.)

20 RUCO also challenged AWC’s position regarding its not having earned its authorized rate of  
 21 return because of regulatory lag, eliciting an acknowledgment from Mr. Reiker that AWC has  
 22 consistently paid annual dividends to its shareholders, that those annual dividends have generally  
 23 increased, and that AWC may have had an opportunity to earn its authorized rate of return although it  
 24 has not done so for 16 years.<sup>60</sup> (*See* Tr. at 99-100.)

25 <sup>59</sup> Mr. Rigsby referred to the May 2012 Comments of the Regulatory Affairs & Public Advocacy Section of the Alaska  
 26 Attorney General’s Office (“RAPA”), Alaska’s RUCO counterpart, filed with the Regulatory Commission of Alaska in a  
 27 docket examining a plant replacement surcharge mechanism, which asserted that there is no support for the conclusion  
 28 that the adoption of such mechanisms reduces the frequency of rate cases. (Ex. R-5 at 16.) Limited official notice of the  
 RAPA Comments was taken in both Phase 1 and Phase 2 of the Eastern Group Docket.

<sup>60</sup> Mr. Reiker testified that a reasonable person would expect AWC to have recovered its costs in at least one of the 16  
 years if it were simply a matter of tightening its belt and cutting costs. (Tr. at 100-01.)

1 On brief in this case, RUCO made the same arguments concerning the SIB that it had made in  
 2 Phase 1 and Phase 2 of the Eastern Group Docket regarding the DSIC and the SIB. RUCO asserts  
 3 that the SIB fails to meet the Commission's constitutional obligation to find fair value and does not  
 4 meet any of the exceptions under Arizona law because it is not an adjustor mechanism to cover  
 5 limited fluctuating operating expenses; AWC has not asserted an emergency or requested interim  
 6 rates; the Commission has not been authorized to create a third exception to the constitutional fair  
 7 value requirements; and if there were a third exception, the SIB should not qualify because there are  
 8 no extraordinary circumstances to warrant an exception. RUCO disagrees with the legal analysis set  
 9 forth in Decision No. 73938, in which the Commission concluded that the SIB is legal.

10 On brief, RUCO also argued that specific provisions of the SIB Agreement are problematic:

- 11 • § 3.3, which creates the five-percent efficiency credit that RUCO asserts is  
 12 "inadequate" and "paltry" compared to the benefits shareholders will receive;
- 13 • §§ 4.6 and 4.7, which RUCO states does not explain what is to happen to the SIB after  
 14 the next rate case, a situation RUCO describes as "perilous";
- 15 • § 6 generally, which RUCO states does not require the Commission to take into  
 16 account factors such as the history of the company and its past financial circumstances  
 17 when determining eligibility;
- 18 • § 6.3.1, which includes water loss in excess of 10-percent as one of the eligibility  
 19 criteria and RUCO states could thereby create "perverse incentives" and reward  
 20 "impure conduct";
- 21 • § 6.3.3, which RUCO states leaves the disqualifiers "negligence or improper  
 22 maintenance" open to interpretation;
- 23 • § 6.4, which RUCO states is overly broad in establishing the plant eligible for SIB  
 24 treatment and could result in unintended plant being eligible, such as fire main  
 25 upgrades with the sole purpose of improving fire flow, or perhaps plant that is not  
 26 "non-revenue producing";
- 27 • § 6.5, which RUCO states leaves unstated and open to interpretation what happens if  
 28 either Staff or RUCO objects to a company request to modify or add SIB projects; and

- § 7.1.7, which requires SIB Schedule D, which RUCO states was included to meet the requirements of *Scates*,<sup>61</sup> but which RUCO states does not meet the fair value requirement.<sup>62</sup>

RUCO suggested that § 6 should include a catch-all eligibility provision requiring eligibility to be determined “subject to the consideration of all of the facts and circumstances of [the] given case,” which RUCO states would “tighten” eligibility and possibly serve as a “disincentive to questionable conduct.” (RUCO Br. at 15.)

As previously noted, RUCO applied for rehearing regarding Decision No. 73938, and its rehearing request has been granted, along with a reopening of Decision No. 73736 under A.R.S. § 40-252, specifically for consideration of the ROE for the Eastern Group.

B. Declining Usage Adjustment

Regarding the declining usage adjustment, Mr. Rigsby testified that AWC would over-collect revenues and could even see a “windfall” in operating income if the projected declines in water consumption do not occur; that reducing TY billing determinants for declining usage is not common, as TY billing determinants normally are adjusted only to annualize for end-of-TY customer counts; and that the Commission has never before approved a declining usage adjustment for AWC, in spite of multiple AWC requests. (Ex. R-5 at 18-19.) Mr. Rigsby asserted that RUCO is not convinced either that the level of declining usage per customer will continue or that the declining usage results from conservation efforts. (*Id.* at 19.) Rather, Mr. Rigsby suggested that the declining usage could be the result of ratepayers responding to the overall rate increases authorized in past years or even the recent economic downturn. (Ex. R-6 at 2-4.) Mr. Rigsby also pointed out that Staff disagreed with AWC’s request for a declining usage adjustment both in the Eastern Group rate case and in its original direct testimony in this case; that the declining usage adjustment was also rejected by the Commission in the Eastern Group Phase 1 Decision;<sup>63</sup> and that in his opinion, AWC has not provided

<sup>61</sup> *Scates v. Arizona Corp. Comm’n*, 118 Ariz. 531, 578 P.2d 612 (Ariz. Ct. App. 1978) (holding that Commission lacked authority to increase rates without considering the overall impact of the rate increase upon a utility’s return and without determining a utility’s fair value rate base, but acknowledging that there “may well be exceptional situations in which the Commission may authorize partial rate increases without requiring entirely new submissions”).

<sup>62</sup> See RUCO Br. at 13-17.

<sup>63</sup> See Decision No. 73736 at 71 (February 20, 2013).

1 more complete and transparent information as to the normalization adjustment methodology used in  
 2 this case than it did in the Eastern Group case. (Ex. R-6 at 3-5.) Additionally, RUCO does not  
 3 believe that any declining usage would prevent AWC from earning its authorized return, because  
 4 RUCO expects usage levels to stabilize with time, as customers essentially run out of new potential  
 5 conservation measures. (Ex. R-5 at 19-20; Tr. at 360.) Mr. Rigsby asserted that by his calculations,  
 6 if usage does not decline as projected, the Northern Group will receive an additional \$419,644 in  
 7 operating revenue as a result of the declining usage adjustment, which RUCO believes would not be  
 8 an equitable result. (Ex. R-5 at 21; Tr. at 332-33.) RUCO believes that approximately half of that,  
 9 \$209,060, would be an equitable amount and that it would be produced by a 9.30 percent cost of  
 10 equity and an 8.09 percent rate of return, if declining usage flattens. (Ex. R-5 at 21.)

11 RUCO also questioned whether both customers and AWC will receive the wrong signals as a  
 12 result of the declining usage adjustment. (Tr. at 338.) For customers, RUCO said the problem would  
 13 be a disincentive to conserve because conservation results in higher rather than lower bills. (Tr. at  
 14 338-39, 362.) For AWC, RUCO questioned whether the declining usage adjustment would serve as a  
 15 disincentive to increasing operational efficiency and cutting costs. (*Id.*)

16 On brief, in addition to arguing that the declining usage adjustment is not in the public  
 17 interest, RUCO argued that the Commission would undermine its authority if it were to change its  
 18 position by approving a declining usage adjustment to billing determinants:

19 Moreover, and perhaps even more important, the Commission established  
 20 criteria in the months old Eastern case that must be met before it would  
 21 approve such an adjustment. Decision No. 73736 at 70-71. That criteria  
 22 has not been met – aside from the obvious negative connotations  
 23 associated with approving an adjustment that does not meet the criteria the  
 24 Commission set less than six months ago, such approval could affect the  
 integrity of the Commission's decisions going forward – why would  
 anyone have any faith in a Commission decision if the Commission does  
 not require compliance with its own judgment? The Commission should  
 not approve the declining usage adjustment as it would be contrary to the  
 public interest.<sup>64</sup>

25 C. Cost of Equity

26 Mr. Rigsby asserted that a downward adjustment to the Settlement Agreement's 10.00 percent  
 27 cost of equity should be made if either the SIB mechanism or declining usage adjustment is approved

28 <sup>64</sup> RUCO Br. at 25.

1 because both the SIB mechanism and the declining usage adjustment shift risk away from AWC and  
 2 onto ratepayers, through annual SIB surcharges and higher rates than TY billing determinants would  
 3 produce. (*Id.* at 17, 20.) RUCO ultimately recommended that AWC's cost of equity be reduced to  
 4 8.80 percent<sup>65</sup> and its rate of return to 7.83 percent,<sup>66</sup> which would result in total operating revenue of  
 5 \$12,131,658, representing an increase in gross revenue of \$1,875,047 and a reduction of \$365,282  
 6 from the amount of the increase included in the Settlement Agreement. (*Id.* at 21-22.) RUCO  
 7 believes that its recommended 7.83 percent rate of return is reasonable because of the asserted shift in  
 8 risk attributed to the SIB mechanism and the possible effects of the declining usage adjustment. (*Id.*  
 9 at 23.) Mr. Rigsby clarified at hearing, however, that RUCO continues to oppose the Settlement  
 10 Agreement, the SIB, and the declining usage adjustment. (Tr. at 359-60.)

## 11 **VII. AWC and Staff Responses to RUCO**

### 12 **A. SIB Mechanism**

13 Mr. Reiker disagreed with RUCO's position that the SIB mechanism shifts risk to ratepayers  
 14 by reducing regulatory lag, stating that in mainstream finance, only an investor can bear any risk  
 15 associated with an asset, and customers are not investors. (*See* Ex. A-4 at 4-5; Tr. at 99.) Mr. Reiker  
 16 elaborated on the distinction between a customer and an investor by stating that customers pay for  
 17 service, for the ability to turn on the faucet and have water come out, not for the infrastructure  
 18 providing the service, in the same way that someone who buys a ticket for a train ride is not buying  
 19 the train. (*See* Tr. at 98-99.) Additionally, Mr. Reiker stated, the reduction in regulatory lag for  
 20 AWC will encourage AWC's investors to replace aging and failing infrastructure, which will result in  
 21 reductions in the types of risks that water customers do experience—such as risk of contamination  
 22 and risk of service interruptions. (*See* Ex. A-4 at 5.) Mr. Reiker also asserted that a portion of Mr.

23

24 <sup>65</sup> Mr. Rigsby pointed out Value Line's weekly Selection and Opinion publication for May 17, 2013, showing the yield  
 25 for an A-rated 25- to 30-year utility bond as 3.94 percent and the yield for a slightly riskier Baa/BBB-rated 25- to 30-year  
 26 bond as 4.29 percent, and stated that his recommended COE is more than double that rate, which should be "more than  
 27 adequate to compensate investors for any perceived risks [AWC] may have." (Tr. at 345-46.) He also referred to Ms.  
 Ahern's estimated 11.30 COE as "way out of line," considering the current state of interest rates and bond yields and the  
 fact that the Standard & Poor's 500 index for 1926 through 2011, which includes much riskier companies than AWC, is  
 11.8 percent. (*Id.* at 346.)

28 <sup>66</sup> Mr. Rigsby also testified at hearing that a 50-basis-point reduction should be made to the Settlement Agreement COE  
 "if the decline in usage adjustment were off the table." (Tr. at 334-35.) He acknowledged that this was simply an  
 estimate, a conservative estimate in his opinion, and not a number based on any particular data or formula. (Tr. at 363.)

1 Rigsby's argument is premised on the idea that a utility will recover its cost of service over the long  
 2 term, something that Mr. Reiker asserts AWC has not done for the past 16 years. (*Id.* at 5-6.) To  
 3 support this, Mr. Reiker provided a table showing AWC's actual return, authorized return, and  
 4 amount of under-recovery each year for the period 1997 through 2012.<sup>67</sup> (*Id.* at 6.) According to Mr.  
 5 Reiker, AWC's customers will receive economic benefits from the SIB mechanism, both from the  
 6 five-percent efficiency credit based on SIB revenues and from any income tax savings that result  
 7 from additional AWC long-term debt, which makes the SIB mechanism more favorable to ratepayers  
 8 than a traditional adjustor mechanism would be. (*Id.* at 7.) Mr. Reiker noted that customers will also  
 9 benefit because the SIB Agreement requires AWC to file a general rate case application.<sup>68</sup> (*Id.* at 8.)  
 10 Mr. Reiker took issue with Mr. Rigsby's assertions that the SIB mechanism will result in less scrutiny  
 11 of plant replacements, stating that the SIB mechanism will actually result in more stringent scrutiny  
 12 of eligible infrastructure replacements because the Commission will first review detailed pre-SIB,  
 13 pre-construction engineering support for infrastructure replacements for which SIB treatment is  
 14 requested, something that is not currently done in the context of a general rate case, and both Staff  
 15 and RUCO will be provided with all of the contractor invoices for the SIB projects once completed,  
 16 which is more information than is provided in a general rate case audit. (*Id.*; Tr. at 102-03.)

17 Mr. Reiker also emphasized that the discussions leading to Staff's acceptance of the SIB-  
 18 eligible plant for Northern Group Table I nearly became "heated"; that AWC believes Staff's review  
 19 is "not going to be easy"; and that AWC understands its best interests will be served by putting in  
 20 each SIB filing only those items that Staff will agree "make sense" to receive SIB treatment, so as to  
 21 avoid a Staff objection, a hearing situation, and delay. (Tr. at 62-63.) In response to RUCO's  
 22 criticism of the SIB mechanism for allowing AWC to recover, outside of a rate case, depreciation  
 23 expenses related to SIB-eligible plant in addition to a return on the SIB-eligible plant, Mr. Reiker  
 24

25 <sup>67</sup> The table, created by AWC using AWC's records, shows under-recovery in each of these years, ranging from a low  
 26 of approximately \$250,000 in 1997 to a high near \$7 million in 2007, and declining to an amount just under \$1 million in  
 27 2012. (Ex. A-4 at 6.) Mr. Reiker stated that the cumulative amount, more than \$41 million, was borne by AWC's  
 28 shareholders. (*Id.* at 6-7.)

<sup>68</sup> The SIB Agreement specifically requires AWC to file an Eastern Group general rate case application by August 31,  
 2016, with a test year ending no later than December 31, 2015. (*See* Ex. A-1 at ex. 1 at 6, § 4.6.) AWC and Staff both  
 testified to an understanding that the Settlement Agreement would require AWC's next Northern Group general rate case  
 application to be filed in five years. (*See* Tr. at 95, 159, 298-99.)

1 testified that AWC will be “net[ting] out” any depreciation expense related to retirements and will  
 2 also be reducing the revenue requirement by a hypothetical amount of interest expense tax benefit.  
 3 (Tr. at 103-04.) In response to RUCO’s concerns that AWC may under-collect revenues with the SIB  
 4 mechanism, resulting in a true-up in its next general rate case, Mr. Reiker testified that under-  
 5 recovery is very unlikely because of natural growth in the system<sup>69</sup> and that AWC expects to have  
 6 over-recovery followed by true-up. (See Tr. at 104-05.)

7 Ms. Ahern disagreed with the idea that the existence of regulatory lag is consistently  
 8 beneficial to customers, stating that regulatory lag can actually increase risk to both a utility and its  
 9 customers by permanently impairing a utility’s ability to earn its authorized rate of return. (See Ex.  
 10 A-5 at 5.) Ms. Ahern also stated that the partial mitigation of regulatory lag resulting from the SIB  
 11 mechanism would improve AWC’s ability to attract capital as well as its service quality and  
 12 reliability, while providing gradualism in rate increases and resulting in less costly infrastructure  
 13 replacements.<sup>70</sup> (*Id.* at 5-6.) According to Ms. Ahern, the absence of a SIB mechanism actually  
 14 increases risk to customers, who ultimately pay more for infrastructure and in operating costs,<sup>71</sup>  
 15 resulting in higher rates, and experience rate shock because infrastructure replacement is “bunched”  
 16 up.”<sup>72</sup> (See *id.* at 6-7.) Ms. Ahern distinguished the SIB mechanism from the “cost trackers”  
 17 referenced by Mr. Rigsby, stating that the only similarity is that they both allow for recovery of costs  
 18 on a periodic basis outside of a rate case. (*Id.* at 7.)

19 Ms. Ahern provided a Value Line Water Utility Industry publication from April 19, 2013, in  
 20 which Value Line stated the following: “Much of the water infrastructure in the U.S. is aging and  
 21 will require massive amounts of funds for repairs and modernization. No utility will be able to  
 22 generate sufficient cash internally to cover these outlays.” (Ex. A-14.) Value Line cited the  
 23 American Society of Civil Engineers (“ASCE”) and the American Water Works Association  
 24 (“AWWA”), respectively, as stating that water industry infrastructure is 70-percent underfunded and

25 <sup>69</sup> Mr. Reiker testified that AWC has only lost customers in one of the past 10 years, and then only a handful. (Tr. at  
 26 105.)

<sup>70</sup> Ms. Ahern stated that this is because the SIB mechanism reflects the time value of money. (Ex. A-5 at 5.)

27 <sup>71</sup> Ms. Ahern attributed higher water costs to higher water losses resulting from delayed replacement of antiquated  
 infrastructure. (See *id.* at 6-7.)

28 <sup>72</sup> At hearing, Mr. Rigsby acknowledged that rate shock can result from regulatory lag, particularly where a utility does  
 not have a rate case for 10 or more years, such as he has seen occur in Arizona. (Tr. at 352-53.)

1 will necessitate \$1 trillion in expenditures in the next 25 years. (*Id.*) Ms. Ahern previously had  
 2 provided the ASCE 2009 Report Card for America's Infrastructure (March 29, 2009) as an exhibit to  
 3 her pre-filed direct testimony. (*See* Ex. A-10 at ex. PMA-11.) The 2009 ASCE Report Card stated:

4           Drinking water again earned a D-. America's drinking water systems face  
 5           an annual shortfall of at least \$11 billion to replace aging facilities that are  
 6           near the end of their useful life and to comply with existing and future  
 7           federal water regulations. . . [T]he costs of treating and delivering that  
           water where it is needed continue to outpace the funds available to sustain  
           the system.<sup>73</sup>

8           Mr. Olea also responded to RUCO's criticisms of the SIB mechanism, stating that RUCO had  
 9 not provided any new arguments or reasons beyond what had been stated in the Eastern Group  
 10 Docket. (Ex. S-6 at 1.) Mr. Olea testified that Staff believes the SIB mechanism does not shift risk  
 11 from AWC to ratepayers without adequate financial consideration, that Staff believes there are no  
 12 flaws in the SIB mechanism, and that Staff's attorneys consider the SIB mechanism to be legal and  
 13 within the Commission's authority to approve as proposed. (*Id.*)

14           At both the Phase 2 hearing and the hearing in this matter, AWC and Staff responded to some  
 15 questions regarding the meaning of different provisions of the SIB Agreement and how the SIB  
 16 Mechanism would operate. For example, Mr. Reiker testified that SIB eligibility criteria includes  
 17 both Staff review and approval or acceptance and Commission review and final approval and that a  
 18 SIB surcharge cannot become effective without express Commission approval. (Ph. 2 Tr. at 107,  
 19 129-30.) Regarding Staff or RUCO objections under SIB Agreement § 6.5, Mr. Reiker and Mr. Olea  
 20 both testified that they would expect AWC to agree to suspension of the 30-day time clock and for  
 21 the AWC SIB filing not to be placed on an Open Meeting agenda while the parties engaged in  
 22 discussions to try to work out an agreement to allow the SIB filing to go forward. (*See id.* at 80-81,  
 23 123, 129-30, 250-52, 286-87.) Mr. Reiker testified that AWC hopes Staff or RUCO would call AWC  
 24 instead of actually filing an objection and ask for AWC to agree to suspend the 30-day clock to work  
 25 out an agreement. (*Id.* at 123.) AWC and Staff acknowledged that the process will be up to the  
 26 Commission, and both anticipate the Commission not allowing a SIB filing automatically to go  
 27 forward if there is an objection filed, that proceedings instead would ensue as ordered by the

28 <sup>73</sup> Ex. A-10 at ex. PMA-11 at 2.

1 Commission or the Hearing Division. (*See id.* at 129-30, 250-52.) Regarding criteria for SIB  
 2 eligibility, Mr. Reiker testified that the Table I affirmations serve to ensure that the plant included is  
 3 not revenue producing, *i.e.*, that it will not create any new revenue streams. (*See id.* at 127-28, 134-  
 4 35.) Mr. Olea testified that when a SIB surcharge filing is made, Staff will already have reviewed  
 5 and approved the Table I plant during the rate case, will already have reviewed the six-month filing,  
 6 and will just need to match up those filings with the SIB surcharge filing, with the end result being  
 7 that SIB plant may get more scrutiny than any other plant. (*See id.* at 286-90, 316-17.) Mr. Olea  
 8 testified that if Staff believes that there is a problem with a SIB filing, or that a company should not  
 9 receive a SIB even though it meets the criteria for a SIB, Staff will file an objection, and the  
 10 Commission will decide the process and outcome. (*See id.* at 260-61.) Staff intends to file an  
 11 objection and recommend disallowance of a SIB, and may even initiate an Order to Show Cause, if  
 12 Staff believes that a company has purposely let its water loss or plant condition degrade so as to  
 13 become eligible for a SIB. (*See id.* at 253, 314-15.) Staff testified that in the permanent rate case  
 14 following the implementation of a SIB mechanism, the SIB surcharges will be zeroed out, the SIB  
 15 plant minus depreciation will go into rate base, the efficiency credit will go away, and the  
 16 Commission will consider whether the SIB should again be approved going forward. (*Id.* at 329-31.)  
 17 The parties also addressed when notice should be provided to customers, so as to make customers'  
 18 input meaningful and to allow the Commission the opportunity to choose, based on customers' input,  
 19 not to send a SIB filing to Open Meeting for approval. (*See id.* at 104-05, 309-11.) Mr. Olea testified  
 20 that Staff would expect notice to go to customers before the SIB surcharge filing is made with the  
 21 Commission, because that would give customers at least 30 days to object. (*Id.* at 309-11.)  
 22 Additionally, Mr. Olea testified that Staff would want a utility to work with Staff on the wording of  
 23 the notice so that customers receive the proper information. (*Id.*) Mr. Reiker testified that AWC  
 24 would be willing to provide notice to customers in advance of its SIB filing and to indicate in its SIB  
 25 filing that customers have been provided notice, so that customers have adequate time to object. (*See*  
 26 *id.* at 104-05.)

27 B. Declining Usage Adjustment

28 Mr. Reiker took issue with RUCO's criticism of the declining usage adjustment, stating that

1 RUCO's claims of risk shifting are unsupported and that RUCO's criticism would apply equally to  
 2 any pro forma adjustment to TY figures that results in a higher revenue requirement. (Ex. A-4 at 8-  
 3 9.) Mr. Reiker also disagreed with Mr. Rigsby's assertion that the Commission has never before  
 4 approved a declining usage adjustment.<sup>74</sup> (*Id.* at 9.) Mr. Reiker pointed out that the declining usage  
 5 adjustment in the Settlement Agreement would have less impact on revenue than would AWC's  
 6 originally proposed adjustment, which had included an expense adjustment specifically to be  
 7 responsive to Commission criticism of the declining usage adjustment proposed and rejected in the  
 8 Eastern Group Docket, criticism that was echoed by RUCO in this case. (*See* Tr. at 92-93.)

9 Mr. Reiker added that compared to the first three months of the TY, the Northern Group  
 10 experienced a reduction of overall per customer usage for the first three months of 2013, of 7.35  
 11 percent for residential customers and 9.7 percent for commercial customers, in spite of the hotter and  
 12 drier conditions in 2013, and pointed out that this represents a sharper decline than the declining  
 13 usage adjustment in the Settlement Agreement. (Ex. A-4 at 9; Tr. at 92, 112-13.) Mr. Reiker  
 14 indicated that a continuation of these declines would result in AWC's failing to recover the  
 15 Settlement Agreement revenue requirement.<sup>75</sup> (Ex. A-4 at 9-10.) Mr. Reiker also provided a chart  
 16 showing annual sales per customer from 1997 to 2012, showing that while per customer usage has  
 17 fluctuated somewhat, it has been trending downward since at least 2000.<sup>76</sup> (*See id.* at 10.) To further  
 18 support AWC's projection that usage will continue to decline, Mr. Reiker cited a 2010 Water  
 19 Research Foundation and U.S. Environmental Protection Agency study<sup>77</sup> examining declining trends  
 20 in household water usage and concluding that annual residential usage at the national level has  
 21 declined 0.44 percent per year since 1975 and that residential water usage will continue to decline  
 22

23 <sup>74</sup> Mr. Reiker stated that in Decision No. 73144 (May 1, 2012), the Commission approved a declining usage adjustment  
 24 to reflect actual declines in industrial customer usage in AWC's Western Group. (Ex. A-4 at 9.)

25 <sup>75</sup> Mr. Reiker projected that the decline would result in under-recovery by \$311,051 and that the corresponding  
 26 reduction in expenses would be only \$145,000. (*Id.* at 9-10.; Tr. at 65.)

27 <sup>76</sup> The chart shows that per customer sales in 2000 peaked at approximately 152,000 gallons, while per customer sales  
 28 in 2012 dipped to approximately 125,000 gallons. (Ex. A-4 at 10.) While the chart shows peaks and dips throughout the  
 period portrayed, no peak is higher than that for 2000, and no dip is lower than that for 2012. (*Id.*) The overall trend is  
 downward, although the steepness of the decline would depend on the years analyzed. (*See id.*)

<sup>77</sup> Water Research Foundation and U.S. Environmental Protection Agency, "North America Residential Water Usage  
 Trends Since 1992" (2010) ("WRF/EPA Study"). In Phase 1 of the Eastern Group rate case, Mr. Reiker stated that the  
 WRF/EPA Study also attributed declining per-customer usage to smaller households. (*See* Decision No. 73736 at 67  
 n80.)

1 due to factors such as federal standards for water conserving appliances. (*Id.* at 11.)

2 At hearing, Mr. Reiker provided two separate charts to illustrate declining residential and  
3 commercial usage for the Northern Group. (*See* Ex. A-6; Ex. A-16.) The first broke down monthly  
4 sales per customer, for both the Navajo and Verde Valley divisions, and for both the residential and  
5 commercial classes, between the TY and the first four months of 2013, with weather conditions also  
6 reflected using the Palmer Drought Severity Index ("PDSI").<sup>78</sup> (Ex. A-6; Tr. at 48-49.) The first  
7 chart shows that when comparing the first four months of the TY to the first four months of 2013, the  
8 Northern Group experienced a cumulative decline in residential per customer usage of 8.36 percent,  
9 and of commercial per customer usage of 10.35 percent, although the PDSI showed hotter and drier  
10 conditions in 2013. (*See* Ex. A-6.) The chart also showed that the declines were greater in the  
11 Navajo division than in the Verde Valley division, across both customer classes. (*See id.*) The  
12 second chart provided the same type of data for the TY and calendar year 2012 and showed that when  
13 comparing the TY to 2012, the Northern Group experienced a cumulative decline in residential per  
14 customer usage of 0.66 percent and a cumulative decline in commercial per customer usage of 0.24  
15 percent, again with the PDSI showing that the decline occurred in spite of hotter and drier conditions  
16 and again with the Navajo division showing the greater decline.<sup>79</sup> (*See* Ex. A-16; Tr. at 224-28.) Mr.  
17 Reiker testified that based on the data for 2013 in the first chart, not only would AWC's Northern  
18 Group not over-recover as a result of the flat 5-percent declining usage adjustment, it would actually  
19 under-recover by \$409,000 in revenues, while only reducing costs by \$162,000. (Tr. at 53, 55.) Mr.  
20 Reiker also disputed RUCO's projected over-recovery figure of \$419,000 should usage flatten out  
21 rather than declining, stating that the actual amount of over-recovery, assuming no reduction in  
22 usage, would be \$383,000, and that this lower figure had been provided to Staff and RUCO. (*Id.* at  
23 53-54.)

24 <sup>78</sup> Mr. Reiker explained the PDSI as follows: "[P]ublished by the National Oceanic and Atmospheric Administration's  
25 National Climatic Data Center (U.S. Dept. of Commerce)[, t]he PDSI is used to assess the severity of dry or wet periods,  
and ranges from -6 to +6, with negative values denoting dry spells and positive values indicating wet spells." (Ex. A-4 at  
26 9 n5.)

27 <sup>79</sup> The PDSI for 10 of 12 months in 2012 was lower, with only January and August 2012 having higher PDSIs than the  
same months in the TY. (*See* Ex. A-16.) The second chart showed that the decline for residential per customer usage in  
the Navajo division was greater than in the Verde Valley division and that the Navajo division experienced a decline in  
28 commercial per customer usage of 6.25 percent while the Verde Valley division actually experienced an increase in  
commercial per customer usage of 1.32 percent. (*See id.*)

Mr. Reiker also presented a schedule showing how the declining usage adjustment made to TY billing determinants to establish Settlement Agreement rates and charges impacted average residential customer bills, with the figures for 5/8" x 3/4" residential usage showing the following:<sup>80</sup>

Division/System	Usage (Gallons)	Current Bill	Proposed Bill per Settlement Agreement	Proposed Bill without Adjustment	Adjustment \$ Increase
Navajo	3,150	\$26.24	\$29.82	\$29.05	\$0.77
Verde Valley Pinewood/Rimrock	3,036	\$33.42	\$31.82	\$31.25	\$0.57
Verde Valley Sedona	8,751	\$43.97	\$52.13	\$50.52	\$1.61

Additionally, AWC provided a June 2012 AWWA peer-reviewed article concerning declining residential water usage in single-family homes.<sup>81</sup> (Ex. A-13; Tr. at 66-68.) The AWWA article analyzed end-use data from four different studies, dating from 1995 to 2011, and concluded that water use in single-family homes has declined since 1995 and is expected to continue to decline as the market is further saturated with high-efficiency fixtures and appliances such as low-flow toilets and high-efficiency washing machines, which the AWWA article found to cause greater reductions in end-use consumption than did other indoor categories. (Ex. A-13 at 1.) The AWWA article reported that indoor water use for a family of three decreased from 187 gallons per day per household ("gpd/H") in 1996 to 162 gpd/H in 2007 in a California single-family home study and were found to be 132 gpd/H in 2006 in a study conducted for the U.S. Environmental Protection Agency regarding new single-family homes. (*Id.*) The AWWA article also reported that 2002 and 2006 data showed that indoor water use in family homes retrofitted for water efficiency dropped to 117 gpd/H while family homes designed for water efficiency dropped to 107 gpd/H. (*Id.*) Mr. Reiker stated that AWC is not asking to have customers penalized for being more efficient with their usage, just to have customers pay for the cost of service, and he noted that the Settlement Agreement rate design provides "significant discounts" to residential customers with average and below-average usage, who will pay less than the cost of service. (Tr. at 134-36.)

Mr. Olea also addressed RUCO's criticism of the declining usage adjustment included in the Settlement Agreement, stating that Staff has been recommending, and the Commission has been

<sup>80</sup> See Ex. A-18; Tr. at 234-36.

<sup>81</sup> William B. DeOreo et al, "Insights into Declining Single-Family Residential Water Demands," *Journal – American Water Works Association* (2012).

1 approving, inclining block tiered rates for years, specifically to cause water conservation, which Staff  
2 believes this type of rate design promotes. (Ex. S-6 at 2.) Mr. Olea added that the BMPs required by  
3 ADWR, and the BMP tariffs approved by the Commission, have the same purpose—to promote  
4 efficient use of water. (*Id.*) Because of the inclining block tiered rate design and BMPs, Staff  
5 believes it highly likely that AWC's customers will use less water going forward than they used in  
6 the TY, and "[i]f this is not the case, then the Commission approved rate design along with the  
7 Commission approved and ADWR sanctioned BMPs will have been approved for naught." (*Id.*) Mr.  
8 Olea testified that Staff believes there is only a remote chance that per customer usage will remain the  
9 same or increase in the future and thus does not consider it appropriate to reduce AWC's ROE  
10 because of the customer use adjustment. (*Id.* at 3.)

11 Mr. Olea also addressed the Commission's prior concerns, expressed in the Phase 1 Decision  
12 of the Eastern Group Docket, about a declining usage adjustment not being known and measurable,  
13 explaining that this type of adjustment will never truly be known and measurable because it is not  
14 possible to predict the future with any certainty, but tiered rates and BMPs are working, and Staff  
15 believes it is time to acknowledge that. (*See* Tr. at 249-251, 260-61.) Mr. Olea stated that Staff is  
16 comfortable with the five-percent adjustment because of the expected declining usage that should  
17 result from BMPs and tiered rates as well as the literature he has read that consistently reports  
18 declining usage. (*See* Tr. at 249-51.) Mr. Olea also testified that after hearing some of Mr. Reiker's  
19 testimony regarding post-TY declines in usage, "Staff is even more comfortable now." (Tr. at 259-  
20 60.)

21 C. Cost of Equity

22 Regarding RUCO's proposed 50-basis-point downward adjustment to cost of equity, Ms.  
23 Ahern stated that Mr. Rigsby provided no empirical evidence to support the adjustment or to establish  
24 that investors perceive a reduced risk as a result of DSIC-like mechanisms, particularly because the  
25 SIB surcharge is capped at five percent of the allowed cash flow. (Ex. A-5.at 7-8.) Ms. Ahern cited  
26 two recent studies concluding that "revenue volatility reduction mechanisms" such as decoupling  
27 mechanisms do not have a statistically significant impact on investor-perceived risk—one created by  
28 Ms. Ahern's organization, AUS Consultants, along with the Rutgers University School of Business,

1 Camden,<sup>82</sup> apparently after Ms. Ahern was retained by AWC, and the other by the Brattle Group<sup>83</sup>—  
 2 and asserted that the SIB mechanism thus would also have no impact on risk. (*Id.* at 8-9; *see* Tr. at  
 3 156-58.) Ms. Ahern further provided a Moody's publication characterizing decoupling mechanisms  
 4 and riders as "credit positive," although less stabilizing of key financial metrics that determine a  
 5 company's credit rating than apparently expected.<sup>84</sup> (Ex. A-15 at 1-3, 7-8.) The Moody's publication  
 6 acknowledged arguments for and against reducing a company's ROE when a decoupling-type  
 7 mechanism is granted and asserted that if the impact on ROE is "punitive" and begins to affect the  
 8 level of actual earned ROE and to degrade the level of cash flow operations and key financial  
 9 metrics, Moody's would view that as a credit negative. (*Id.* at 6.) The significance of these  
 10 publications, according to Ms. Ahern, is that if decoupling mechanisms, which have a greater effect  
 11 on revenues, do not impact credit risk and do not impact common equity investors' perception of risk,  
 12 then the SIB mechanism (and the declining usage adjustment) certainly would not. (Tr. at 165, 168-  
 13 69, 184-85.)

14 Ms. Ahern testified that she is not aware of any jurisdiction in which an adjustment to ROE  
 15 has been made to correspond to approval of a DSIC-type mechanism. (Tr. at 169.) Ms. Ahern also  
 16 testified that the efficiency credit included in the SIB Agreement is the first such efficiency credit that  
 17 she has seen, and she believes that it would benefit ratepayers because they will be paying a lower  
 18 ROE on SIB-related investments, approximately 100 basis points lower, which she said is a "big  
 19 deduct." (Tr. at 171.)

21 <sup>82</sup> Pauline M. Ahern et al., "Decoupling: Impact on the Risk and Cost of Common Equity of Public Utility Stocks,"  
 22 presented to the Society of Utility Regulatory & Financial Analysts' 45<sup>th</sup> Financial Forum, April 18, 2013. This study  
 23 was admitted as Exhibit A-5 at ex. PMA-18. In the study, Ms. Ahern and her co-authors used two different methods to  
 24 analyze pre- and post-decoupling risk for eight electric and combination electric/gas companies with at least 95 percent  
 25 decoupled revenues and determined that although post-decoupling systematic risk was lower, the amount of the decrease  
 26 was not statistically significant, and the impact of decoupling on stock returns, risk, and cost of capital can neither be  
 27 isolated nor measured because of the myriad risk drivers impacting investment risk. (Ex. A-5 at ex. PMA-18.)

28 <sup>83</sup> Michael J. Vilbert, Ph.D., "An Empirical Study of Impact of Decoupling on Cost of Capital," presented to the Society  
 of Utility Regulatory & Financial Analysts' 45<sup>th</sup> Financial Forum, April 18, 2013. This study was admitted as Exhibit A-  
 5 at ex. PMA-19. In the study, Dr. Vilbert analyzed cost of capital estimates prepared by Brattle for 12 separate natural  
 gas local distribution holding companies (with 46 subsidiaries) on 26 separate dates for rate case proceedings between  
 October 2005 and May 2012, concluding that there was no statistically significant reduction in cost of capital. (Ex. A-5 at  
 ex. PMA-19.) Rather, Dr. Vilbert reported the "counter intuitive" result that decoupling was associated with a statistically  
 significant higher cost of capital, although the results are provisional, and explanations for them continue to be sought.  
 (*Id.*) Dr. Vilbert added that "whatever effect decoupling may have, it is reflected in the sample companies." (*Id.*)

<sup>84</sup> Moody's Investors Service, "Special Comment: Decoupling and 21<sup>st</sup> Century Rate Making" (November 4, 2011).

1 Mr. Reiker testified that he is unaware of any time in the past 14 years when the Commission  
2 has increased a utility's rate of return to make up for eliminating an adjuster mechanism, although he  
3 believes eliminating an adjuster mechanism increases the negative effects of regulatory lag on a  
4 utility. (Ex. A-4 at 5.) Mr. Reiker characterized RUCO's position as "suggesting . . . that  
5 shareholders . . . continue as they have done over the past 16 years to provide subsidized service."  
6 (Tr. at 136-37.) Mr. Reiker also asserted that Arizona Public Service Company ("APS") paid \$170  
7 million in dividends to its parent company in the same year it applied to the Commission for an  
8 emergency rate increase<sup>85</sup> and, further, that APS has paid out more than \$1.3 billion in dividends  
9 since that time. (*Id.*) Mr. Reiker testified that "dividends are the lifeblood of equity investment in a  
10 public utility . . . [a]nd they are at the heart of the regulatory compact between this company and its  
11 regulator." (*Id.* at 137.)

12 Ms. Ahern also disagreed with RUCO's position that the cost of common equity should be  
13 lowered because the declining usage adjustment shifts risk from AWC to its customers, stating that  
14 no such risk shift occurs and that no reduction to the cost of common equity is warranted. (Ex. A-5 at  
15 10.) Ms. Ahern agreed with Mr. Reiker's assertions that the declining usage adjustment is no  
16 different than any other pro forma adjustment to TY results intended to reflect conditions of service  
17 expected to exist when the new rates are in effect. (*Id.*)

18 Mr. Olea also disagreed with Mr. Rigsby's assertion that AWC's ROE should be lowered  
19 below 10.0 percent if the Commission grants the SIB mechanism and the declining usage adjustment,  
20 stating that the efficiency credit built into the SIB accounts for any adjustment necessary to address  
21 that and confirming that Staff believes the 10.0 percent ROE in the Settlement Agreement is proper  
22 even with the SIB. (Ex. S-6 at 3; Tr. at 248.) Mr. Olea testified that a primary reason Staff disagreed  
23 with SIB-type mechanisms in the past was because they provided no monetary benefit to ratepayers,  
24 only rate gradualism. (Ex. S-6 at 3.) Staff considers the five-percent efficiency credit to be a  
25 monetary benefit to ratepayers that has not been included in any previous proposals and to be a more  
26 direct (and less contentious) way of providing a monetary benefit to ratepayers than reducing AWC's

27 <sup>85</sup> Mr. Reiker did not mention that Decision No. 68685 (May 5, 2006), of which we take official notice, denied APS's  
28 request for an emergency interim rate increase, although it allowed for an existing Power Supply Adjustor mechanism to  
be modified on an interim basis pending completion of a general rate case.

1 ROE would be. (*Id.*) Staff does not believe that it would be appropriate to require both an efficiency  
2 credit and a lower ROE. (*Id.*) In deciding whether to enter into the Settlement Agreement, Staff took  
3 into consideration whether the 10.0 percent ROE was the right ROE to have with the SIB, and Staff  
4 determined that it was. (Tr. at 255-57.) Mr. Olea explained that Staff has consistently said that  
5 ratepayers needed to be provided a monetary benefit with any SIB and that the benefit could be  
6 provided either by lowering the overall ROE or by providing an efficiency credit. (Tr. at 262.) Staff  
7 prefers the efficiency credit, which basically lowers the ROE for SIB plant,<sup>86</sup> because it is “a more  
8 direct application of the effect on the ROE.” (*Id.*)

9 **VIII. Miscellaneous**

10 AWC currently has in effect a MAP tariff that expressly covers the following Northern Group  
11 systems: “Valley Vista (Sedona), Pinewood, Rimrock, Overgaard, Lakeside, Pinetop Lakes  
12 (Lakeside).” (Ex. A-17; *see* Tr. at 231-33.) The purpose of the MAP tariff is “to recover the annual  
13 change in testing and noticing costs resulting from compliance with the MAP over a twelve-month  
14 period through a separately stated fee on each customer’s monthly bill.” (Ex. A-17.) Participation in  
15 the MAP is mandatory for PWSs with customer counts below an ADEQ-specified threshold. (Tr. at  
16 231.) Although continuation of the MAP tariff is not addressed in the Settlement Agreement, AWC  
17 and Staff agree that the MAP tariff should remain in effect. (Tr. at 232-33, 252-53.) RUCO also  
18 agrees that the MAP tariff should remain in effect. (Tr. at 395.)

19 Staff’s engineering witness recommended that if any further consolidation of AWC’s water  
20 systems was approved in this case for the purpose of ratemaking and accounting, AWC be required to  
21 continue reporting on its water use and plant description data separately, by individual ADEQ PWS,  
22 in future Annual Reports and rate filings. (Ex. S-4 at ex. KS at ii.) We have previously required  
23 AWC to report such information separately for each PWS, and this requirement remains in effect.  
24 (*See* Decision No. 71845 at 93.)

25 As previously discussed, Staff recommended that AWC’s customer bills include, for each  
26 approved tariff charge billed to a customer, a separate line item clearly identifying the charge by  
27

28 <sup>86</sup> Ms. Ahern testified that the five-percent efficiency credit would result in a 100-basis point reduction on the ROE for SIB plant. (Tr. at 171, 187-88.)

1 name and setting forth the dollar amount of the charge. (Ex. S-1 at ii.) Staff further recommended  
2 that AWC bill per its approved tariffs and in units of 1,000 gallons for all water systems. (Id.)

3 **IX. Resolution**

4 As is acknowledged in the Settlement Agreement, the Commission is not bound by the terms  
5 of the Settlement Agreement and must independently consider and evaluate the terms of the  
6 Settlement Agreement to determine whether they are in the public interest. (See Ex. A-1 at 5-6, §§  
7 8.3, 8.8.) In this case, that also requires consideration of the modified SIB Agreement approved in  
8 Phase 2 of the Eastern Group Docket, which is essentially incorporated into the Settlement  
9 Agreement for this case, as well as consideration of all of the arguments made in favor of and in  
10 opposition to both the Settlement Agreement and the SIB Agreement.

11 AWC, Staff, and RUCO have reached agreement as to most of the issues in this matter.  
12 Specifically, the parties no longer dispute the Northern Group's FVRB; its adjusted TY operating  
13 income; and whether the Northern Group should be authorized to implement an OSFF Tariff for the  
14 Verde Valley division, to implement an ACRM Tariff for the entire Northern Group, or to defer the  
15 costs of implementing additional BMPs required by Decision No. 71845 for consideration in a future  
16 rate case. Additionally, the parties have agreed that the MAP Tariff should continue in effect; the  
17 Commission has previously ordered AWC to provide PWS-specific information in its annual reports  
18 and rate applications; and AWC and Staff have been working toward realization of Staff's specific  
19 bill formatting recommendations. It is reasonable and appropriate for these to continue.

20 Because the Commission concurs with the parties as to the resolution of these undisputed  
21 issues and will decide these issues accordingly, there is no need to discuss them further, except to  
22 clarify that the ACRM for the Northern Group shall conform to the requirements established in  
23 Decision No. 66400 (October 14, 2003) and shall require AWC to file a new application for each step  
24 of the ACRM surcharge consistent with the process outlined in Decision No. 66400.

25 Although RUCO chose not to enter into the Settlement Agreement, RUCO agrees that the  
26 discussions that led to the Settlement Agreement were conducted in an open and transparent manner,  
27 with all of the parties invited to participate on an equal basis and participating fully. (Ex. R-5 at 3-4;  
28 Tr. at 350-51.) Mr. Rigsby also stated that "[t]he Settlement Agreement has some good points in

1 RUCO's view." (Ex. R-5 at 4; Tr. at 351-52.) RUCO's disagreements with the Settlement  
 2 Agreement concern only a few issues, but they are among the most significant and difficult policy  
 3 issues that the Commission has recently faced in a water utility rate case—namely, whether to  
 4 approve a SIB mechanism; whether to approve a declining usage adjustment made to TY billing  
 5 determinants in establishing rate design; and whether to decrease a utility's ROE if the Commission  
 6 is approving either a SIB mechanism or a declining usage adjustment and, if so, to what extent.  
 7 Although each case before the Commission must be evaluated and decided on its own merits, we are  
 8 mindful of the Commission's very recent consideration and resolution of these issues in Phase 2 of  
 9 the Eastern Group Docket.<sup>87</sup>

10 In Decision No. 73938, the Commission made the following Findings of Fact related to the  
 11 SIB Agreement and the SIB mechanism embodied therein:

12 15. The Settlement provides, among other things for:  
 13 Commission pre-approval of SIB-eligible projects; SIB project eligibility  
 14 criteria; a limit on SIB surcharge recovery to the pre-tax rate of return and  
 15 depreciation expense associated with SIB-eligible projects; an "efficiency  
 16 credit" of five percent; a cap on the SIB surcharge of five percent of the  
 17 Phase 1 revenue requirement; separate line items on customer bills  
 18 reflecting the SIB surcharge and the efficiency credit; Commission  
 19 approval of the SIB surcharge prior to implementation and adjustments; a  
 20 limit of five SIB surcharge filings between general rate cases; an annual  
 21 true-up of the SIB surcharge; and notice to customers at least 30 days prior  
 22 to SIB surcharge adjustments.

18 16. The SIB mechanism "is a ratemaking device designed to  
 19 provide for the timely recovery of the capital costs (depreciation expense  
 20 and pre-tax return on investment) associated with distribution system  
 21 improvement projects meeting the requirements contained herein and that  
 22 have been completed and placed in service and where costs have not been  
 23 included for recovery in Decision No. 73736." (Ex.A-1, ¶2.3.)

21 17. Cost recovery under the SIB mechanism is allowed for the  
 22 pre-tax return on investment and depreciation expense for projects  
 23 meeting the SIB-eligible criteria and for depreciation expense associated  
 24 with those projects, net of associated plant retirements. The rate of return,  
 25 depreciation rates, gross revenue conversion factor and tax multiplier are  
 26 to be the same as those approved in Phase 1 by Decision No. 73736.

25 18. The SIB surcharge will include an "Efficiency Credit"  
 26 equal to five percent of the SIB revenue requirement.

27 <sup>87</sup> It is a well-settled principle of administrative law that when an agency deviates from its prior policies or decisions, it  
 28 must provide a reasoned explanation for doing so. (*See, e.g., Secretary of Agriculture v. United States*, 347 U.S. 645  
 (1954).)

19. The Agreement caps the amount that is permitted to be collected annually by each SIB surcharge filing to five percent of the revenue requirement authorized in Decision No. 73736.

20. The SIB surcharge will be applicable only for plant replacement investments to provide adequate and reliable service to existing customers and that "are not designed to serve or promote customer growth."

21. Under the Settlement, AWC: may file up to five SIB surcharge requests between rate case decisions; may make no more than one SIB surcharge filing every 12 months; may not make its initial SIB surcharge filing for the Eastern Group prior to 12 months following the effective date of Decision No. 73736 (*i.e.*, February 20, 2014); must make an annual SIB surcharge filing to true-up its surcharge collections; and must file a rate case application for its Eastern Group no later than August 31, 2016, with a test year ending no later than December 31, 2015, at which time any SIB surcharges then in effect would be included in base rates in that proceeding and the surcharge would be reset to zero.

22. The SIB surcharge will be a fixed monthly charge on customers' bills, with the surcharge and the efficiency credit listed as separate line items. The surcharge will increase proportionately based on customer meter size.

23. Each SIB surcharge filing must be approved by the Commission prior to implementation. Upon filing of the SIB surcharge application, Staff and RUCO would have 30 days to review the filing and dispute and/or file a request for the Commission to alter the surcharge or true-up surcharge/credit. Although AWC is also required to provide a proposed order with each SIB filing for the Commission's consideration, and if no objection is filed to the SIB surcharge request the request shall be placed on an Open Meeting agenda at the earliest practicable date, in order to protect the public interest we believe that Staff should prepare its own Staff Report and Proposed Order for the Commission's consideration.

24. At least 30 days prior to a SIB surcharge becoming effective AWC is required to provide public notice to customers in the form of a bill insert or customer letter. The notice must include: the individual surcharge amount by meter size; the individual efficiency credit by meter size; the individual true-up surcharge/credit by meter size; and a summary of the projects included in the current surcharge filing, including a description of each project and its cost.

25. The Settlement Agreement, with the modifications discussed above regarding financial information filing requirements, represents a reasonable compromise of contested issues, is in accord with Arizona law and, as a whole, is consistent with the public interest.<sup>88</sup>

Although RUCO attempted to convince the Commission that approval of the SIB Agreement in Decision No. 73938 was not in the public interest, did not result in the adoption of just and reasonable rates and charges, and was unconstitutional and thus unlawful, the Commission determined the issue contrary to RUCO's position. RUCO has not brought forth any new information

<sup>88</sup> Decision No. 73938 (June 27, 2013) at 57-59.

1 or put forth any new arguments in this case to cause the Commission to reverse its decision on the  
 2 SIB mechanism. The Commission has determined that the SIB Agreement and the SIB mechanism  
 3 created thereby, as modified with the additional protections adopted in Decision No. 73938, are  
 4 consistent with the Commission's legal authority and will result in rates and charges that are just and  
 5 reasonable.

6 Additionally, the Commission believes that it is reasonable and appropriate to make the  
 7 following minor modifications and clarifications to the SIB Agreement as adopted herein, which are  
 8 intended to clarify the language and requirements of the SIB Agreement consistent with the testimony  
 9 herein and are not intended to alter any material term of either the SIB Agreement or the Settlement  
 10 Agreement:

- 11 • References to the Eastern Group and its individual systems, to the Eastern Group  
 12 Docket, and to Decision No. 73736 are understood to be replaced, respectively, with  
 13 references to the Northern Group and its divisions/systems as applicable, to this  
 14 Docket, and to this Decision;
- 15 • §§ 11.0 through 12.9 of the SIB Agreement are deleted as inapplicable;
- 16 • Exhibits D and F to the SIB Agreement, which were replaced in Decision No. 73938,  
 17 are likewise replaced in this matter, with the new Exhibits D and F attached hereto as  
 18 Exhibit C;
- 19 • § 4.6 is understood to require AWC to file the next general rate case for its Northern  
 20 Group no later than August 31, 2017, with a TY ending no later than December 31,  
 21 2016;
- 22 • § 4.7 is understood to mean that the Commission will, in each subsequent general rate  
 23 case when a SIB mechanism has been in effect, examine how the SIB mechanism has  
 24 operated and whether it is just and reasonable and in the public interest to authorize  
 25 the SIB mechanism to continue going forward when newly authorized rates take  
 26 effect;
- 27 • § 4.8 is understood to require a report to be filed every six months after the effective  
 28 date of the decision in which the SIB mechanism was first approved for the relevant

1 company/group/division/system (*e.g.*, six months after this Decision, for the Northern  
2 Group);

- 3 • § 4.9 is understood to require the first annual SIB surcharge true-up filing to be made  
4 within 60 days after the one-year anniversary of the effective date of the SIB  
5 surcharge first approved for the Northern Group pursuant to this Decision and to  
6 require each subsequent annual SIB surcharge true-up filing to be made at 12-month  
7 intervals thereafter;
- 8 • § 6.2 is understood to establish that plant is only eligible for SIB recovery if the plant  
9 is replacement plant that will not create a new revenue stream (depreciation expense  
10 for plant replacing fully depreciated plant is not considered to be a new revenue  
11 stream);
- 12 • § 6.3 is understood to include a requirement that eligibility for SIB recovery and  
13 satisfaction of the listed criteria are ultimately determined by the Commission;
- 14 • § 6.4 is understood to mean that only plant falling within these categories is eligible  
15 for SIB treatment;
- 16 • §§ 6.5 and 9.4 are understood, consistent with Decision No. 73938, to require Staff to  
17 prepare and file a Staff Report for each SIB surcharge filing and:
  - 18 ○ If there is no objection to the SIB surcharge filing from Staff or another person,  
19 to prepare and file a Proposed Order for Commission consideration at an Open  
20 Meeting; and
  - 21 ○ If there is an objection to the SIB surcharge filing from Staff or another person,  
22 to include in the Staff Report a recommendation for the process going  
23 forward, which may include a recommendation for a hearing;
- 24 • §§ 7.1 and 7.2 are understood to require AWC to provide the required public notice to  
25 its customers, in a format and with content approved by the Commission or the  
26 Commission's Utilities Division, before AWC files its SIB surcharge filing and to  
27 file, as part of its SIB surcharge filing, an attestation that such notice to its customers  
28 has been provided; and

- It is understood that the Commission may consider the totality of circumstances—which may include (but is not limited to) any objection, comments, or information filed by Staff, RUCO, or another interested person, and any information required by or in the possession of the Commission related to a public service corporation's operations or financial condition—when determining whether it is reasonable and appropriate to schedule a SIB filing for consideration at an Open Meeting; to grant SIB eligibility for any plant; to authorize a company to implement a SIB mechanism or surcharge; to approve any modification of a SIB mechanism, true-up, or surcharge; or to take any other action related to a SIB mechanism or SIB surcharge.

While the Commission has received no new information in this case causing it to reverse position on approval of the SIB Agreement, the Commission has received additional information regarding another policy issue considered in the Eastern Group rate case. In Decision No. 73736, when denying a declining usage adjustment proposed by AWC for its Eastern Group, the Commission stated the following:

AWC has performed an elaborate statistical analysis of actual Eastern Group data to support its request for a downward adjustment in its billing determinants. AWC is effectively requesting to have its rates set based on the assumption that its TY commodity sales (gallons sold) were lower than they actually were, because AWC believes that its commodity sales are declining with time and expects that decline to continue. . . .

Because AWC chose to make its adjustments to billing determinants rather than through revenues and expenses, we cannot be confident that the appropriate associated reductions to future operating costs . . . have also been made. AWC's adjustment methodology also makes it difficult to identify the projected annual impact of the normalization adjustments (as opposed to the impact of the proposed changes in rate design), although it appears that the normalization adjustment would impact annual revenue in an amount between \$155,438.91 and \$446,738.55 at AWC's proposed rates.

It is possible that, with more complete and transparent information as to the normalization adjustment methodology and its impacts, the Commission might find such an adjustment to be appropriate in the future. The Commission understands that a consistent pattern of declining usage, and the diminished revenues that follow, could jeopardize AWC's ability to recover its cost of service, which is contrary to the best interests of AWC, AWC's customers, and the Commission. However, the Commission will not approve such an adjustment without first being confident that the changes in usage are known and measurable, that any corresponding changes in costs have been factored into the normalization calculation so as to avoid mismatches and over-recovery, and that the

Commission is aware of the actual impacts of the adjustment on proposed rates.

Based upon the evidence presented, and the preceding discussion, we deny AWC's requested downward adjustment of its TY billing determinants.<sup>89</sup>

In this matter, AWC initially proposed downward usage adjustments made to revenues and certain expenses rather than to billing determinants. Mr. Reiker provided a statistical analysis of AWC data to demonstrate declining usage over a number of years and further quantified the proposed adjustments to revenues and expenses monetarily to make their impact more clear. In the pre-settlement direct testimony phase of this matter, AWC's downward usage adjustment was again rejected by both Staff and RUCO as overly speculative, *i.e.*, not known and measurable.

In the Settlement Agreement, AWC and Staff have agreed upon a different adjustment, an adjustment made to AWC's TY billing determinants to reflect a five-percent decrease in consumption, the same type of adjustment that the Commission recently rejected for the Eastern Group. Staff is now advocating for approval of this declining usage adjustment, which represents a sea change in Staff's position regarding such adjustments. To explain this transformation, Mr. Olea testified:

[T]his case . . . gave me a chance to look at everything and say, you know, I think it is time that we look at what is really happening out there. And what is really happening is there [are] water use declines having to do with more efficient water use caused by not only the tiered rates but also the BMPs.<sup>90</sup>

Mr. Olea explained that he came to this realization based upon the combination of what he has seen, what he has read (consistently reporting declining usage), and the fact that the Commission is now requiring both tiered rates and BMPs. (*See* Tr. at 295.) As Mr. Olea pointed out, conservation (aka declining usage) has been the goal of policy initiatives adopted by the Commission and ADWR—notably the adoption of inverted block tiered rate designs and of BMP requirements. Mr. Olea reasoned that if the Commission knows that the conservation initiatives are working, and are going to continue working, then some adjustment must be made for the declining usage that results. (Tr. at 249-51.) Additionally, Mr. Olea asserted, this type of adjustment will never be known and

<sup>89</sup> Decision No. 73736 (February 20, 2013) at 70-71 (footnotes omitted).

<sup>90</sup> Tr. at 295.

1 measurable because no one can accurately predict the future. (Tr. at 249-51.) Per Mr. Olea, the risk  
2 that water use per customer will remain the same or increase in the future is “very small.” (*Id.* at 295-  
3 96.)

4 RUCO has argued that the Commission cannot change its position from one previously held,  
5 stating that to do so “could affect the integrity of the Commission’s decisions going forward” and  
6 asking “why . . . anyone [would] have any faith in a Commission decision if the Commission does not  
7 require compliance with its own judgment.”<sup>91</sup>

8 The Commission must consider each case on its own merits, must consider all of the evidence  
9 presented, and must determine what will serve the public interest and result in just and reasonable  
10 rates. If credible evidence is provided that causes the Commission to reconsider a prior decision,  
11 even if that decision is recent, it is the Commission’s duty to consider it.

12 In this case, AWC and Staff agree upon a declining usage adjustment very similar to one  
13 recently denied for the Eastern Group. AWC has provided evidence that declining usage is occurring  
14 in the Northern Group and in the country as a whole, and Staff has testified that declining usage is  
15 occurring and is likely to continue. This evidence is credible. However, it is certain that neither the  
16 parties to this case nor the Commission can tell the future. It could be that the reductions in  
17 consumption seen thus far result from the proverbial “low-hanging fruit” and will soon be exhausted,  
18 causing the plateau that RUCO anticipates. No one, including the Commission, can be certain that a  
19 five-percent reduction in usage will occur (*i.e.*, that a five-percent reduction in TY billing  
20 determinants is known and measurable). We note the relatively minimal impact that the declining  
21 usage adjustment agreed upon in the Settlement Agreement would have on the monthly bill for a  
22 residential customer with average usage in each of the Northern Group’s divisions. We also note that  
23 settlement of this rate case would benefit the Northern Group’s customers, Staff, the Commission,  
24 and RUCO because it represents a more efficient use of resources than does a fully litigated rate case.  
25 While AWC’s and Staff’s arguments in favor of the declining usage adjustment, standing alone in a  
26 fully litigated case, might result in a different resolution, in this case, in the context of the Settlement  
27 Agreement, considering the totality of the circumstances, we find that the declining usage adjustment

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28 <sup>91</sup> RUCO Br. at 25.

1 is reasonable. However, we will require AWC, in its next Northern Group rate case application, to  
 2 provide, for each customer class and each division, data regarding monthly per-customer usage from  
 3 the effective date of this Decision through the end of the test year for that rate case. We will also  
 4 require Staff to scrutinize that data, to compare the declining usage experienced with the declining  
 5 usage adjustment granted herein, to determine whether a declining usage adjustment is warranted  
 6 going forward, and to provide testimony and recommendations accordingly.

7 The final contested issue in this case is whether the ROE for the Northern Group should be  
 8 decreased if the SIB mechanism is approved and/or the declining usage adjustment is approved. The  
 9 Commission is approving both of them in this matter. Decision No. 73938 resolved the issue related  
 10 to the SIB and cost of equity. The ROE included in the Settlement Agreement is the same ROE  
 11 recently approved for the Western Group and is 55 basis points lower than the ROE more recently  
 12 approved for the Eastern Group. We believe that the 10.0 percent ROE for the Northern Group is just  
 13 and reasonable and in the public interest, and we are not persuaded that the ROE needs to be  
 14 decreased below 10.0 percent in this case because of either the SIB or the declining usage adjustment.

15 Based upon all of the evidence presented in this case, and in light of the foregoing discussion,  
 16 we determine that adoption of the Settlement Agreement entered into by AWC and Staff in this  
 17 matter, which is attached hereto as Exhibit B, with the modifications described herein, is in the public  
 18 interest and will result in rates and charges and conditions of service for the Northern Group that are  
 19 just and reasonable and in the public interest.

20 \* \* \* \* \*

21 Having considered the entire record herein and being fully advised in the premises, the Commission  
 22 finds, concludes, and orders that:

### 23 FINDINGS OF FACT

24 1. AWC is an Arizona corporation and Class A water utility providing service as a public  
 25 service corporation pursuant to authority granted by the Commission.

26 2. On August 1, 2012, AWC filed with the Commission a permanent rate application for  
 27 its Northern Group systems, using a 2011 TY and requesting a permanent rate increase; rates  
 28 established using a pro forma declining usage adjustment; and authorization to extend its existing

1 ACRM to the entire Northern Group, to complete consolidation of the Sedona system's rates with  
2 those of the other Verde Valley systems, to implement a DSIC, to implement an OSFF for the Sedona  
3 system, and to continue AWC's MAP surcharge. At the time AWC filed its rate application in this  
4 docket, AWC had a separate rate application pending in the Eastern Group Docket.

5 3. On August 30, 2012, Staff issued a Sufficiency Letter for AWC's rate application,  
6 classifying AWC as a Class A utility.

7 4. On September 12, 2012, RUCO filed an Application to Intervene, which was granted  
8 without objection at a procedural conference held on September 18, 2012.

9 5. On September 19, 2012, a Procedural Order was issued scheduling the hearing in this  
10 matter to commence on May 13, 2013, and establishing other procedural requirements and dates.  
11 Additional hearing dates were scheduled by a Procedural Order issued on February 13, 2013.

12 6. Public notice of this matter was mailed to AWC's customers as a billing insert  
13 beginning with the October 12, 2012, billing cycle and ending on November 13, 2012, and was  
14 published in the *Arizona Daily Sun*, the *Verde Independent*, the *White Mountain Independent*, and the  
15 *Sedona Red Rock News* on October 12, 14, 16, and 17, 2012, respectively.

16 7. On February 21, 2013, Staff filed an unopposed Request for Modification to the  
17 Procedural Schedule, requesting a one-week extension of the deadline for Staff and RUCO to file  
18 direct testimony on revenue requirements and cost of capital and a one-week extension of the  
19 deadline for AWC to file rebuttal testimony. Staff's Request was granted by a Procedural Order  
20 issued on February 22, 2013.

21 8. On March 13, 2013, Staff filed Notice of Settlement Discussions, stating that the  
22 parties might enter into settlement discussions on or after March 19, 2013.

23 9. On March 19, 2013, AWC, Staff, and RUCO met and engaged in settlement  
24 discussions.

25 10. On April 4, 2013, AWC filed the Parties' Request for Modification of Procedural  
26 Schedule, stating that certain parties had reached a conceptual settlement but needed additional time  
27 to complete and file a settlement agreement and requesting a one-week extension to the deadline to  
28 file a settlement agreement and to file testimony supporting or opposing the settlement agreement.

1 AWC further requested that a date be set for the filing of responsive testimony and that the existing  
2 dates for rebuttal testimony and surrebuttal testimony be suspended. The procedural schedule was  
3 revised consistent with the Parties' Request via a Procedural Order issued on April 8, 2013.

4 11. On April 12, 2013, AWC filed Notice of Status of Settlement Agreement, stating that  
5 the agreement had not yet been executed in final form and that another update would be filed on  
6 April 15, 2013, if the agreement would not be filed that day.

7 12. On April 15, 2013, Staff filed a Settlement Agreement executed by Staff and AWC,  
8 but not RUCO. The Settlement Agreement provided, *inter alia*, that the terms of the SIB Settlement,  
9 as ultimately approved by the Commission in Phase 2 of the Eastern Group Docket, would apply to  
10 AWC's Northern Group systems.

11 13. On April 15, 2013, RUCO filed a Motion to Extend Filing Dates, requesting that the  
12 filing dates for testimony supporting or opposing the Settlement Agreement and for responsive  
13 testimony each be extended by one week.

14 14. On April 17, 2013, AWC and Staff filed responses to the RUCO Motion, with AWC  
15 opposing an extension longer than one business day and requesting that the pre-hearing conference be  
16 set for an earlier date, and Staff taking no position on an extension and not objecting to an earlier pre-  
17 hearing conference date.

18 15. On April 18, 2013, a Procedural Order was issued extending the filing dates for  
19 testimony concerning the Settlement Agreement, requiring that responsive testimony be filed by the  
20 parties, and moving the pre-hearing conference to May 8, 2013.

21 16. On April 26 and May 3, 2013, respectively, the parties filed initial testimony and  
22 responsive testimony concerning the Settlement Agreement.

23 17. On May 6, 2013, RUCO filed a Motion to Incorporate the Record and a Notice of  
24 Errata, requesting that the "record of the recent hearings" in the Eastern Group Docket be  
25 incorporated into the record in this matter.

26 18. On May 8, 2013, the pre-hearing conference in this matter was held, with all parties  
27 appearing through counsel, and it was determined that the entire Phase 2 record from the Eastern  
28 Group Docket, and that portion of the Phase 1 record pertaining to AWC's requested DSIC, would be

1 incorporated into the record for this matter.

2 19. On May 13 and 14, 2013, a full evidentiary hearing was held before a duly authorized  
3 Administrative Law Judge of the Commission at the Commission's offices in Phoenix, Arizona.  
4 Testimony and exhibits were provided by each party. No members of the public attended to provide  
5 public comment.

6 20. On May 23, 2013, RUCO filed a late-filed exhibit stating that it had been unable to  
7 craft language to resolve RUCO's legal issues with the SIB.

8 21. On June 18, 2013, the parties filed their briefs. Staff filed corrections to its brief the  
9 following day.

10 22. Between October 23, 2012, and May 21, 2013, 14 comments were filed opposing  
11 AWC's application, one comment was filed providing rate design suggestions, and one comment was  
12 filed supporting the Commission's recent decision to approve a SIB mechanism in the Eastern Group  
13 Docket.

14 23. Based on our consideration of the complete evidentiary record for this matter, we find  
15 that approval of the Settlement Agreement, attached hereto as Exhibit B, with the clarifications and  
16 minor modifications set forth in the Resolution portion of our Discussion Section herein, is in the  
17 public interest and will result in the establishment of just and reasonable rates and charges and  
18 conditions of service for the Northern Group.

19 24. We find that the Northern Group has the following capital structure and weighted  
20 average cost of capital:

	<u>Weight</u>	<u>Cost</u>	<u>Weighted Avg. Cost</u>
21 Common Equity:	51.1%	10.0%	5.11%
22 Debt:	48.9%	6.82%	3.33%
23 Weighted Avg. Cost of Capital:			8.44%

24 25. We find the following to be just and reasonable and in the public interest for purposes  
25 of setting rates for the Navajo division (including the fully consolidated Lakeside and Overgaard  
26 systems):

27 ...

28 ...

TY Operating Revenues:	\$3,663,832
TY Operating Expenses:	\$3,188,861
TY Operating Income:	\$474,971
<b>OCRB/FVRB:</b>	<b>\$10,060,534</b>
TY Rate of Return:	4.72%
Required Operating Income:	\$849,610
Operating Income Deficiency:	\$374,639
Gross Revenue Conversion Factor	1.6510
<b>Required Revenue Increase:</b>	<b>\$618,535</b>
<b>Required Revenue Increase %:</b>	<b>16.9%</b>
Required Operating Revenues:	\$4,282,366
<b>Required Rate of Return:</b>	<b>8.44%</b>

26. We find that it is in the public interest to have AWC complete the consolidation of the Sedona system into the Verde Valley division and to have AWC discontinue the collection of its currently authorized ACRM surcharges for the Sedona system upon the effective date of the rates and charges established in this Decision.

27. We find the following, which assumes discontinuance of the ACRM surcharge revenues for the Verde Valley division's Sedona system, to be just and reasonable and in the public interest for purposes of setting rates for the Verde Valley division (including the fully consolidated Sedona, Pinewood, and Rimrock systems):

TY Operating Revenues:	\$6,592,779
TY Operating Expenses:	\$5,383,356
TY Operating Income:	\$1,209,423
<b>OCRB/FVRB:</b>	<b>\$25,984,762</b>
TY Rate of Return:	4.65%
Required Operating Income:	\$2,194,408
Operating Income Deficiency:	\$984,985
Gross Revenue Conversion Factor	1.6465
<b>Required Revenue Increase:</b>	<b>\$1,621,794</b>
<b>Required Revenue Increase %:</b>	<b>24.6%</b>
Required Operating Revenues:	\$8,214,573
<b>Required Rate of Return:</b>	<b>8.44%</b>

28. We find that the rates and charges set forth in Schedule H-3 to Exhibit B would have the following impact on average 5/8" x 3/4" customer bills:

...

## Settlement Agreement Rate Design

Division/System	Usage (Gallons)	Current Bill	Settlement Bill	Dollar Change	Percent Change
Navajo	3,150	\$26.24	\$29.82	\$3.58	13.64%
	7,500	\$48.57	\$53.40	\$4.84	9.96%
Verde Valley (Pinewood, Rimrock)	3,036	\$33.42	\$31.82	(\$1.60)	(4.78%)
	7,500	\$52.33	\$47.68	(\$4.65)	(8.89%)
Verde Valley (Sedona)	8,751	\$43.97*	\$52.13	\$8.15	18.54%
	7,500	\$41.23*	\$47.68	\$6.45	15.63%

\*The current bill amounts for the Verde Valley Division's Sedona system include the current ACRM surcharges being paid by customers.

29. We find that the rates and charges set forth in Schedule H-3 to Exhibit B are just and reasonable and in the public interest.

30. We find that it is just and reasonable and in the public interest to allow AWC to implement the OSFF Tariff set forth as an attachment to the Settlement Agreement, which OSFF Tariff shall be applicable to the Verde Valley's Sedona system and, specifically, to the Valley Vista and Sedona public water systems.

31. We find that it is just and reasonable and in the public interest to allow AWC to implement an ACRM Tariff for the Northern Group divisions/systems, with the proviso that the ACRM shall conform to the requirements established in Decision No. 66400 (October 14, 2003) and shall require AWC to file a new application for each step of the ACRM surcharge consistent with the process outlined in Decision No. 66400.

32. We find that it is just and reasonable and in the public interest to allow AWC's MAP Tariff to remain in effect for the Northern Group divisions/systems.

33. We find that it is just and reasonable and in the public interest to authorize AWC to defer, for consideration of recovery in a future general rate case, the costs of implementing and performing the additional BMPs required by Decision No. 71845 for the Northern Group divisions/systems and, further, that AWC should record such deferral of costs.

34. We find that it is just and reasonable and in the public interest to make the clarifying modifications to the SIB Agreement set forth in the Resolution portion of the Discussion Section of this Decision and to approve the application of the SIB Agreement, with those clarifying modifications, to the Northern Group's divisions/systems.

35. We find that it is just and reasonable and in the public interest to make the Northern Group divisions/systems subject to any additional modifications to the SIB mechanism and SIB Agreement that may be made by the Commission in the Eastern Group Docket as a result of any rehearing of Decision No. 73938 or that may be made by any court of law with jurisdiction as a result of any appeal of Decision No. 73938 that may be taken.

36. We find that it is just and reasonable and in the public interest to require AWC, in its next Northern Group rate case application, to provide, for each customer class and each division, data regarding monthly per-customer usage from the effective date of this Decision to the end of the test year for that rate case. Additionally, we find that in the next Northern Group rate case, Staff must scrutinize that data, compare the declining usage experienced with the declining usage adjustment granted herein, determine whether a declining usage adjustment is warranted going forward, and provide testimony and recommendations accordingly.

37. Decision No. 71845 required AWC, in future annual reports and rate filings, to continue reporting information (including but not limited to water use and plant description data) separately for each of its public water systems, as defined by ADEQ. We find that this requirement remains in effect.

38. We find that it is just and reasonable and in the public interest to require AWC to ensure that its customer bills include, for each approved tariff charge billed to a customer, a separate line item clearly identifying the charge by name and setting forth the dollar amount of the charge; that all rates and charges for water service are billed in accordance with AWC's approved tariffs; and that all commodity usage is expressed and all associated commodity charges are assessed for units of 1,000 gallons.

## CONCLUSIONS OF LAW

1. AWC is a public service corporation within the meaning of Article XV of the Arizona Constitution and A.R.S. §§ 40-250, 40-251, and 40-367.

2. The Commission has jurisdiction over AWC and the subject matter of its Application.

3. Notice of the Application was provided in accordance with the law.

4. Adoption of the Settlement Agreement, and the underlying SIB Agreement, as

1 discussed and modified herein, is just and reasonable and in the public interest.

2 5. It is just and reasonable and in the public interest to modify the Settlement Agreement,  
3 and the underlying SIB Agreement, as described in the Resolution portion of the Discussion Section  
4 of this Decision.

5 6. The fair value rate bases of AWC's Navajo division and Verde Valley division are as  
6 set forth in Findings of Fact Nos. 25 and 27.

7 7. We find that the requirements, authorizations, and approvals described in Findings of  
8 Fact Nos. 23, 26, 29 through 34, and 36 through 38 are just and reasonable and in the public interest.

9 8. The rates, charges, and conditions of service established herein are just and reasonable  
10 and in the public interest.

11 **ORDER**

12 IT IS THEREFORE ORDERED that the Settlement Agreement filed in this Docket on April  
13 15, 2013, and attached to this Decision as Exhibit B, is hereby adopted with the clarifications and  
14 modifications discussed herein.

15 IT IS FURTHER ORDERED that Arizona Water Company is hereby directed to file with the  
16 Commission, on or before September 30, 2013, revised schedules of the rates and charges for its  
17 Northern Group divisions consistent with Exhibit B and the findings herein.

18 IT IS FURTHER ORDERED that the rates and charges and conditions of service adopted  
19 herein shall be effective for all services rendered on and after October 1, 2013.

20 IT IS FURTHER ORDERED that Arizona Water Company shall notify its affected customers  
21 of the revised schedules of rates and charges authorized herein by means of an insert in its next  
22 regularly scheduled billing, and by posting a notice on its website, in a form acceptable to the  
23 Commission's Utilities Division Staff.

24 IT IS FURTHER ORDERED that Arizona Water Company shall implement and comply with  
25 the terms of the Settlement Agreement as discussed and adopted herein and that any failure to comply  
26 with the Settlement Agreement adopted herein shall be deemed a failure to comply with this  
27 Decision.

28 IT IS FURTHER ORDERED that Arizona Water Company's MAP Tariff shall remain in

1 effect for its Northern Group divisions/systems.

2 IT IS FURTHER ORDERED that the System Improvement Benefits mechanism approved  
3 herein by reference for the Northern Group divisions/systems is subject to additional modifications  
4 that may be made by the Commission in the Eastern Group Docket as a result of any rehearing of  
5 Decision No. 73938 or that may be made by any court of law with jurisdiction as a result of any  
6 appeal of Decision No. 73938 that may be taken.

7 IT IS FURTHER ORDERED that Arizona Water Company shall, in its next Northern Group  
8 rate case application, provide, for each customer class and each division, data regarding monthly per-  
9 customer usage from the effective date of this Decision to the end of the test year for that rate case.

10 IT IS FURTHER ORDERED that the Commission's Utilities Division shall analyze the  
11 above-required per-customer usage data provided by Arizona Water Company in its next Northern  
12 Group rate case application, compare the declining usage experienced with the declining usage  
13 adjustment granted herein, determine whether a declining usage adjustment is warranted going  
14 forward, and provide testimony and recommendations accordingly in that rate case.

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IT IS FURTHER ORDERED that Arizona Water Company shall ensure that its customer bills include, for each approved tariff charge billed to a customer, a separate line item clearly identifying the charge by name and setting forth the dollar amount of the charge; that all rates and charges for water service are billed in accordance with Arizona Water Company's approved tariffs; and that all commodity usage is expressed and all associated commodity charges are assessed for units of 1,000 gallons.

IT IS FURTHER ORDERED that this Decision shall become effective immediately.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

CHAIRMAN

COMMISSIONER

COMMISSIONER

COMMISSIONER

COMMISSIONER

IN WITNESS WHEREOF, I, JODI JERICH, Executive Director of the Arizona Corporation Commission, have hereunto set my hand and caused the official seal of the Commission to be affixed at the Capitol, in the City of Phoenix, this \_\_\_\_\_ day of \_\_\_\_\_ 2013.

JODI JERICH  
EXECUTIVE DIRECTOR

DISSENT \_\_\_\_\_

DISSENT \_\_\_\_\_  
SH:ru

1 SERVICE LIST FOR: ARIZONA WATER COMPANY

2 DOCKET NO.: W-01445A-12-0348

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4 Stanley B. Lutz  
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8 Attorneys for Arizona Water Company

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13 Janice Alward, Chief Counsel  
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15 ARIZONA CORPORATION COMMISSION  
16 1200 West Washington Street  
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18 Steven M. Olea, Director  
19 Utilities Division  
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21 1200 West Washington Street  
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23

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NAYAJODIVISION (Lakeside, Overgaard)					
	Current	AWC App.	RUCO Direct	Staff Direct	Settlement Agreement
<b>Monthly Minimum Charges</b>					
<b>Residential</b>					
5/8" x 3/4" Meter	\$ 12.64	\$ 18.25	\$ 16.40	\$ 16.30	\$ 17.26
1" Meter	31.61	45.63	40.9965	40.75	43.15
1 1/2" Meter	N/A	91.25	N/A	81.50	86.30
2" Meter	101.15	146.00	131.1746	130.40	138.08
3" Meter	202.29	292.00	262.3492	260.80	276.16
4" Meter	316.08	456.25	409.9206	407.50	431.50
6" Meter	632.17	912.50	819.8411	815.00	863.00
8" Meter	1,011.47	1,460.00	1,311.7458	1,304.00	1,380.80
10" Meter	1,453.99	2,098.75	1,885.6345	1,874.50	1,984.90
<b>Commercial, Industrial, Construction Water,<sup>1</sup> Sales for Resale</b>					
5/8" x 3/4" Meter	\$ 12.64	\$ 25.00	\$ 22.4614	\$ 23.00	\$ 23.00
1" Meter	31.61	62.50	56.1535	57.50	57.50
1 1/2" Meter	N/A	125.00	N/A	115.00	115.00
2" Meter	101.15	200.00	179.6912	184.00	184.00
3" Meter	202.29	400.00	359.3824	368.00	368.00
4" Meter	316.08	625.00	561.5350	575.00	575.00
6" Meter	632.17	1,250.00	1,123.0700	1,150.00	1,150.00
8" Meter	1,011.47	2,000.00	1,796.9120	1,840.00	1,840.00
10" Meter	1,453.99	2,875.00	2,583.0610	2,645.00	2,645.00
<b>Private Fire</b>					
All Sizes	\$ 22.58	\$ 25.00	\$ 22.4614	\$ 25.00	\$ 25.00
<b>Commodity Rates</b>					
<b>Residential</b>					
<b>5/8" x 3/4" Meter</b>					
1 to 3,000 gallons	\$ 4.2771	\$ 4.1788	\$ 3.7545	\$ 3.7200	\$ 3.9160
3,001 to 10,000 gallons	5.1320	5.2235	4.6931	5.1500	5.4213
Over 10,000 gallons	6.1580	6.5294	5.8664	6.9400	7.3058
<b>1" Meter</b>					
1 to 10,000 gallons	5.1320				
Over 10,000 gallons	6.1580				
1 to 25,000 gallons		5.2235	4.6931		
Over 25,000 gallons		6.5294	5.8664		
1 to 21,000 gallons				5.1500	5.4213
Over 21,000 gallons				6.9400	7.3058
<b>1 1/2" Meter</b>					
1 to 55,000 gallons	N/A	5.2235	N/A		
Over 55,000 gallons	N/A	6.5294	N/A		
1 to 50,000 gallons				5.1500	5.4213
Over 50,000 gallons				6.9400	7.3058

<sup>1</sup> Construction water rates currently exist, and were proposed by AWC and RUCO on direct, only for 2-inch, 3-inch, and 4-inch meters. Staff recommended construction water rates for all meter sizes. The Settlement Agreement includes construction water rates only for 2-inch, 3-inch, and 4-inch meters.

2" Meter					
1 to 50,000 gallons	5.1320				
Over 50,000 gallons	6.1580				
1 to 90,000 gallons		5.2235	4.6931		
Over 90,000 gallons		6.5294	5.8664		
1 to 60,000 gallons				5.1500	5.4213
Over 60,000 gallons				6.9400	7.3058
3" Meter					
1 to 125,000 gallons	5.1320				
Over 125,000 gallons	6.1580				
1 to 175,000 gallons		5.2235	4.6931		
Over 175,000 gallons		6.5294	5.8664		
1 to 120,000 gallons				5.1500	5.4213
Over 120,000 gallons				6.9400	7.3058
4" Meter					
1 to 200,000 gallons	5.1320				
Over 200,000 gallons	6.1580				
1 to 275,000 gallons		5.2235	4.6931		
Over 275,000 gallons		6.5294	5.8664		
1 to 190,000 gallons				5.1500	5.4213
Over 190,000 gallons				6.9400	7.3058
6" Meter					
1 to 350,000 gallons	5.1320				
Over 350,000 gallons	6.1580				
1 to 550,000 gallons		5.2235	4.6931		
Over 550,000 gallons		6.5294	5.8664		
1 to 390,000 gallons				5.1500	5.4213
Over 390,000 gallons				6.9400	7.3058
8" Meter					
1 to 650,000 gallons	5.1320				
Over 650,000 gallons	6.1580				
1 to 925,000 gallons		5.2235	4.6931		
Over 925,000 gallons		6.5294	5.8664		
1 to 600,000 gallons				5.1500	5.4213
Over 600,000 gallons				6.9400	7.3058
10" Meter					
1 to 1,080,000 gallons	5.1320				
Over 1,080,000 gallons	6.1580				
1 to 1,300,000 gallons		5.2235	4.6931		
Over 1,300,000 gallons		6.5294	5.8664		
1 to 800,000 gallons				5.1500	5.4213
Over 800,000 gallons				6.9400	7.3058
Commercial, Construction Water <sup>2</sup>					
5/8" x 3/4" Meter					
1 to 10,000 gallons	\$ 4.6988	\$ 5.2235	\$ 4.6931	\$ 5.1500	\$ 5.4213
Over 10,000 gallons	5.6386	6.5294	5.8664	6.9400	7.3058
1" Meter					

<sup>2</sup> Construction water rates currently exist, and were proposed by AWC and RUCO on direct, only for 2-inch, 3-inch, and 4-inch meters. Staff recommended construction water rates for all meter sizes. The Settlement Agreement includes construction water rates only for 2-inch, 3-inch, and 4-inch meters.

1 to 15,000 gallons	4.6988				
Over 15,000 gallons	5.6386				
1 to 25,000 gallons		5.2235	4.6931		
Over 25,000 gallons		6.5294	5.8664		
1 to 21,000 gallons				5.1500	5.4213
Over 21,000 gallons				6.9400	7.3058
1 ½" Meter					
1 to 55,000 gallons	N/A	5.2235	N/A		
Over 55,000 gallons	N/A	6.5294	N/A		
1 to 50,000 gallons				5.1500	5.4213
Over 50,000 gallons				6.9400	7.3058
2" Meter					
1 to 65,000 gallons	4.6988				
Over 65,000 gallons	5.6386				
1 to 90,000 gallons		5.2235	4.6931		
Over 90,000 gallons		6.5294	5.8664		
1 to 60,000 gallons				5.1500	5.4213
Over 60,000 gallons				6.9400	7.3058
3" Meter					
1 to 125,000 gallons	4.6988				
Over 125,000 gallons	5.6386				
1 to 175,000 gallons		5.2235	4.6931		
Over 175,000 gallons		6.5294	5.8664		
1 to 120,000 gallons				5.1500	5.4213
Over 120,000 gallons				6.9400	7.3058
4" Meter					
1 to 200,000 gallons	4.6988				
Over 200,000 gallons	5.6386				
1 to 275,000 gallons		5.2235	4.6931		
Over 275,000 gallons		6.5294	5.8664		
1 to 190,000 gallons				5.1500	5.4213
Over 190,000 gallons				6.9400	7.3058
6" Meter					
1 to 400,000 gallons	4.6988				
Over 400,000 gallons	5.6386				
1 to 550,000 gallons		5.2235	4.6931		
Over 550,000 gallons		6.5294	5.8664		
1 to 390,000 gallons				5.1500	5.4213
Over 390,000 gallons				6.9400	7.3058
8" Meter					
1 to 675,000 gallons	4.9688				
Over 675,000 gallons	5.6386				
1 to 925,000 gallons		5.2235	4.6931		
Over 925,000 gallons		6.5294	5.8664		
1 to 600,000 gallons				5.1500	5.4213
Over 600,000 gallons				6.9400	7.3058
10" Meter					
1 to 1,080,000 gallons	4.9688				
Over 1,080,000 gallons	5.6386				
1 to 1,300,000 gallons		5.2235	4.6931		
Over 1,300,000 gallons		6.5294	5.8664		

1 to 800,000 gallons				5.1500	5.4213
Over 800,000 gallons				6.9400	7.3058
<b>Industrial</b>					
All meters & all gallons	\$ 4.0667	\$ 5.2235	\$ 4.6931	\$ 5.1500	\$ 5.4213
<b>Sales for Resale</b>					
All meters & all gallons	\$ 4.6988	\$ 5.2235	\$ 4.6931	\$ 5.1500	\$ 5.4213

<b>VERDE VALLEY DIVISION (Pinewood, Rimrock)</b>					
	<b>Current</b>	<b>AWC App.</b>	<b>RUCO Direct</b>	<b>Staff Direct</b>	<b>Settlement Agreement</b>
<b>Monthly Minimum Charges</b>					
<b>Residential</b>					
5/8" x 3/4" Meter	\$ 23.10	\$ 25.00	\$ 22.67	\$ 23.50	\$ 25.33
1" Meter	57.75	62.50	56.6650	58.75	63.33
1 1/2" Meter	N/A	125.00	N/A	117.50	126.65
2" Meter	184.81	200.00	181.3280	188.00	202.64
3" Meter	369.62	400.00	362.6560	376.00	405.28
4" Meter	577.54	625.00	566.6500	587.50	633.25
6" Meter	1,155.07	1,250.00	1,133.3000	1,175.00	1,266.50
8" Meter	1,848.12	2,000.00	1,813.2800	1,880.00	2,026.40
10" Meter	2,656.67	2,875.00	2,606.5900	2,702.50	2,912.95
<b>Commercial, Construction Water,<sup>3</sup></b>					
<b>Sales for Resale</b>					
5/8" x 3/4" Meter	\$ 23.10	\$ 30.00	\$ 27.1992	\$ 25.00	\$ 25.00
1" Meter	57.75	75.00	67.9980	62.50	62.50
1 1/2" Meter	N/A	150.00	N/A	125.00	125.00
2" Meter	184.81	240.00	217.5936	200.00	200.00
3" Meter	369.62	480.00	435.1872	400.00	400.00
4" Meter	577.54	750.00	679.9800	625.00	625.00
6" Meter	1,155.07	1,500.00	1,359.9600	1,250.00	1,250.00
8" Meter	1,848.12	2,400.00	2,175.9360	2,000.00	2,000.00
10" Meter	2,656.67	3,450.00	3,127.9080	2,875.00	2,875.00
<b>Industrial</b>					
5/8" x 3/4" Meter	\$ 21.74	\$ 30.00	\$ 27.1992	\$ 25.00	\$ 25.00
1" Meter	54.36	75.00	67.9980	62.50	62.50
1 1/2" Meter	N/A	150.00	N/A	125.00	125.00
2" Meter	173.96	240.00	217.5936	200.00	200.00
3" Meter	347.92	480.00	435.1872	400.00	400.00
4" Meter	543.62	750.00	679.9800	625.00	625.00
6" Meter	1,087.25	1,500.00	1,359.9600	1,250.00	1,250.00
8" Meter	1,739.60	2,400.00	2,175.9360	2,000.00	2,000.00
10" Meter	2,500.67	3,450.00	3,127.9080	2,875.00	2,875.00
<b>Private Fire</b>					
All Sizes	\$ 25.89	\$ 30.50	\$ 30.50	\$ 30.50	\$ 30.50
<b>Commodity Rates</b>					

<sup>3</sup> Construction water rates currently exist, and were proposed by AWC and RUCO on direct, only for 2-inch, 3-inch, and 4-inch meters. Staff recommended construction water rates for all meter sizes. The Settlement Agreement includes construction water rates only for 2-inch, 3-inch, and 4-inch meters.

<b>Residential</b>					
<b>5/8" x 3/4" Meter</b>					
1 to 3,000 gallons	\$ 3.3891	\$ 2.8224	\$ 2.5589	\$ 2.0000	\$ 2.1210
3,001 to 10,000 gallons	4.2361	3.5280	3.1986	3.3500	3.5527
Over 10,000 gallons	5.2954	4.4100	3.9983	4.2300	4.4860
<b>1" Meter</b>					
1 to 10,000 gallons	4.2361				
Over 10,000 gallons	5.2954				
1 to 40,000 gallons		3.5280	3.1986	3.3500	3.5527
Over 40,000 gallons		4.4100	3.9983	4.2300	4.4860
<b>1 1/2" Meter</b>					
1 to 75,000 gallons	N/A	3.5280	N/A	3.3500	3.5527
Over 75,000 gallons	N/A	4.4100	N/A	4.2300	4.4860
<b>2" Meter</b>					
1 to 125,000 gallons	4.2361	3.5280	3.1986	3.3500	3.5527
Over 125,000 gallons	5.2954	4.4100	3.9983	4.2300	4.4860
<b>3" Meter</b>					
1 to 298,000 gallons	4.2361				
Over 298,000 gallons	5.2954				
1 to 300,000 gallons		3.5280	3.1986	3.3500	3.5527
Over 300,000 gallons		4.4100	3.9983	4.2300	4.4860
<b>4" Meter</b>					
1 to 493,000 gallons	4.2361				
Over 493,000 gallons	5.2954				
1 to 500,000 gallons		3.5280	3.1986	3.3500	3.5527
Over 500,000 gallons		4.4100	3.9983	4.2300	4.4860
<b>6" Meter</b>					
1 to 925,000 gallons	4.2361				
Over 925,000 gallons	5.2954				
1 to 1,000,000 gallons		3.5280	3.1986	3.3500	3.5527
Over 1,000,000 gallons		4.4100	3.9983	4.2300	4.4860
<b>8" Meter</b>					
1 to 1,500,000 gallons	4.2361	3.5280	3.1986	3.3500	3.5527
Over 1,500,000 gallons	5.2954	4.4100	3.9983	4.2300	4.4860
<b>10" Meter</b>					
1 to 2,262,000 gallons	4.2361				
Over 2,262,000 gallons	5.2954				
1 to 2,300,000 gallons		3.5280	3.1986	3.3500	3.5527
Over 2,300,000 gallons		4.4100	3.9983	4.2300	4.4860
<b>Commercial</b>					
<b>5/8" x 3/4" Meter</b>					
1 to 10,000 gallons	\$ 4.2361	\$ 3.5280	\$ 3.1986	\$ 3.3500	\$ 3.5527
Over 10,000 gallons	5.2954	4.4100	3.9983	4.2300	4.4860
<b>1" Meter</b>					
1 to 40,000 gallons	4.2361	3.5280	3.1986	3.3500	3.5527
Over 40,000 gallons	5.2954	4.4100	3.9983	4.2300	4.4860
<b>1 1/2" Meter</b>					
1 to 75,000 gallons	N/A	3.5280	N/A	3.3500	3.5527
Over 75,000 gallons	N/A	4.4100	N/A	4.2300	4.4860
<b>2" Meter</b>					
1 to 125,000 gallons	4.2361	3.5280	3.1986	3.3500	3.5527

Over 125,000 gallons	5.2954	4.4100	3.9983	4.2300	4.4860
3" Meter					
1 to 298,000 gallons	4.2361				
Over 298,000 gallons	5.2954				
1 to 300,000 gallons		3.5280	3.1986	3.3500	3.5527
Over 300,000 gallons		4.4100	3.9983	4.2300	4.4860
4" Meter					
1 to 493,000 gallons	4.2361				
Over 493,000 gallons	5.2954				
1 to 500,000 gallons		3.5280	3.1986	3.3500	3.5527
Over 500,000 gallons		4.4100	3.9983	4.2300	4.4860
6" Meter					
1 to 925,000 gallons	4.2361				
Over 925,000 gallons	5.2954				
1 to 1,000,000 gallons		3.5280	3.1986	3.3500	3.5527
Over 1,000,000 gallons		4.4100	3.9983	4.2300	4.4860
8" Meter					
1 to 1,500,000 gallons	4.2361	3.5280	3.1986	3.3500	3.5527
Over 1,500,000 gallons	5.2954	4.4100	3.9983	4.2300	4.4860
10" Meter					
1 to 2,262,000 gallons	4.2361				
Over 2,262,000 gallons	5.2954				
1 to 2,300,000 gallons		3.5280	3.1986	3.3500	3.5527
Over 2,300,000 gallons		4.4100	3.9983	4.2300	4.4860
Industrial					
All meters & all gallons	\$ 3.6242	\$ 3.5280	\$ 3.1986	\$ 3.3500	\$ 3.5527
Coin Machine					
Gallons per Quarter (\$0.25)	53.76	65	65	N/A	64
Construction Water <sup>4</sup>					
5/8" x 3/4" Meter					
1 to 10,000 gallons	N/A	N/A	N/A	\$ 3.3500	N/A
Over 10,000 gallons	N/A	N/A	N/A	4.2300	N/A
1" Meter					
1 to 40,000 gallons	N/A	N/A	N/A	3.3500	N/A
Over 40,000 gallons	N/A	N/A	N/A	4.2300	N/A
1 1/2" Meter					
1 to 75,000 gallons	N/A	N/A	N/A	3.3500	N/A
Over 75,000 gallons	N/A	N/A	N/A	4.2300	N/A
2" Meter					
1 to 125,000 gallons	\$ 4.2361	\$ 3.5280	\$ 3.1986	\$ 3.3500	\$ 3.5527
Over 125,000 gallons	5.2954	4.4100	3.9983	4.2300	4.4860
3" Meter					
1 to 298,000 gallons	4.2361				
Over 298,000 gallons	5.2954				
1 to 300,000 gallons		3.5280	3.1986	3.3500	3.5527
Over 300,000 gallons		4.4100	3.9983	4.2300	4.4860

<sup>4</sup> Construction water rates currently exist, and were proposed by AWC and RUCO on direct, only for 2-inch, 3-inch, and 4-inch meters. Staff recommended construction water rates for all meter sizes. The Settlement Agreement includes construction water rates only for 2-inch, 3-inch, and 4-inch meters.

<b>4" Meter</b>					
1 to 500,000 gallons	4.2361	3.5280	3.1986	3.3500	3.5527
Over 500,000 gallons	5.2954	4.4100	3.9983	4.2300	4.4860
<b>6" Meter</b>					
1 to 1,000,000 gallons	N/A	N/A	N/A	3.3500	N/A
Over 1,000,000 gallons	N/A	N/A	N/A	4.2300	N/A
<b>8" Meter</b>					
1 to 1,500,000 gallons	N/A	N/A	N/A	3.3500	N/A
Over 1,500,000 gallons	N/A	N/A	N/A	4.2300	N/A
<b>10" Meter</b>					
1 to 2,300,000 gallons	N/A	N/A	N/A	3.3500	N/A
Over 2,300,000 gallons	N/A	N/A	N/A	4.2300	N/A
<b>Sales for Resale</b>					
All meters & all gallons	\$ 4.2361	\$ 3.5280	\$ 3.1986	\$ 3.3500	\$ 3.5527

<b>VERDE VALLEY DIVISION (Sedona)</b>					
	<b>Current</b>	<b>AWC App.</b>	<b>RUCO Direct</b>	<b>Staff Direct</b>	<b>Settlement Agreement</b>
<b>Monthly Minimum Charges</b>					
<b>Residential</b>					
5/8" x 3/4" Meter	\$ 23.10	\$ 25.00	\$ 22.67	\$ 23.50	\$ 25.33
1" Meter	57.75	62.50	56.6650	58.75	63.33
1 1/2" Meter	N/A	125.00	N/A	117.50	126.65
2" Meter	184.81	200.00	181.3280	188.00	202.64
3" Meter	369.62	400.00	362.6560	376.00	405.28
4" Meter	577.54	625.00	566.6500	587.50	633.25
6" Meter	1,155.07	1,250.00	1,133.3000	1,175.00	1,266.50
8" Meter	1,848.12	2,000.00	1,813.2800	1,880.00	2,026.40
10" Meter	2,656.67	2,875.00	2,606.5900	2,702.50	2,912.95
<b>Commercial, Construction Water,<sup>5</sup></b>					
<b>Sales for Resale</b>					
5/8" x 3/4" Meter	\$ 23.10	\$ 30.00	\$ 27.1992	\$ 25.00	\$ 25.00
1" Meter	57.75	75.00	67.9980	62.50	62.50
1 1/2" Meter	N/A	150.00	N/A	125.00	125.00
2" Meter	184.81	240.00	217.5936	200.00	200.00
3" Meter	369.62	480.00	435.1872	400.00	400.00
4" Meter	577.54	750.00	679.9800	625.00	625.00
6" Meter	1,155.07	1,500.00	1,359.9600	1,250.00	1,250.00
8" Meter	1,848.12	2,400.00	2,175.9360	2,000.00	2,000.00
10" Meter	2,656.67	3,450.00	3,127.9080	2,875.00	2,875.00
<b>Industrial</b>					
5/8" x 3/4" Meter	\$ 21.74	\$ 30.00	\$ 27.1992	\$ 25.00	\$ 25.00
1" Meter	54.36	75.00	67.9980	62.50	62.50
1 1/2" Meter	N/A	150.00	N/A	125.00	125.00
2" Meter	173.96	240.00	217.5936	200.00	200.00

<sup>5</sup> Construction water rates currently exist, and were proposed by AWC and RUCO on direct, only for 2-inch, 3-inch, and 4-inch meters. Staff recommended construction water rates for all meter sizes. The Settlement Agreement includes construction water rates only for 2-inch, 3-inch, and 4-inch meters.

3" Meter	347.92	480.00	435.1872	400.00	400.00
4" Meter	543.62	750.00	679.9800	625.00	625.00
6" Meter	1,087.25	1,500.00	1,359.9600	1,250.00	1,250.00
8" Meter	1,739.60	2,400.00	2,175.9360	2,000.00	2,000.00
10" Meter	2,500.67	3,450.00	3,127.9080	2,875.00	2,875.00
<b>Private Fire</b>					
All Sizes	\$ 25.89	\$ 30.50	\$ 30.50	\$ 30.50	\$ 30.50
<b>Commodity Rates</b>					
<b>Residential</b>					
<b>5/8" x 3/4" Meter</b>					
1 to 3,000 gallons	\$ 1.5317	\$ 2.8224	\$ 2.5589	\$ 2.0000	\$ 2.1210
3,001 to 10,000 gallons	1.9147	3.5280	3.1986	3.3500	3.5527
Over 10,000 gallons	2.3910	4.4100	3.9983	4.2300	4.4860
<b>1" Meter</b>					
1 to 10,000 gallons	1.9147				
Over 10,000 gallons	2.3910				
1 to 40,000 gallons		3.5280	3.1986	3.3500	3.5527
Over 40,000 gallons		4.4100	3.9983	4.2300	4.4860
<b>1 1/2" Meter</b>					
1 to 75,000 gallons	N/A	3.5280	N/A	3.3500	3.5527
Over 75,000 gallons	N/A	4.4100	N/A	4.2300	4.4860
<b>2" Meter</b>					
1 to 125,000 gallons	1.9147	3.5280	3.1986	3.3500	3.5527
Over 125,000 gallons	2.3910	4.4100	3.9983	4.2300	4.4860
<b>3" Meter</b>					
1 to 298,000 gallons	1.9147				
Over 298,000 gallons	2.3910				
1 to 300,000 gallons		3.5280	3.1986	3.3500	3.5527
Over 300,000 gallons		4.4100	3.9983	4.2300	4.4860
<b>4" Meter</b>					
1 to 493,000 gallons	1.9147				
Over 493,000 gallons	2.3910				
1 to 500,000 gallons		3.5280	3.1986	3.3500	3.5527
Over 500,000 gallons		4.4100	3.9983	4.2300	4.4860
<b>6" Meter</b>					
1 to 925,000 gallons	1.9147				
Over 925,000 gallons	2.3910				
1 to 1,000,000 gallons		3.5280	3.1986	3.3500	3.5527
Over 1,000,000 gallons		4.4100	3.9983	4.2300	4.4860
<b>8" Meter</b>					
1 to 1,500,000 gallons	1.9147	3.5280	3.1986	3.3500	3.5527
Over 1,500,000 gallons	2.3910	4.4100	3.9983	4.2300	4.4860
<b>10" Meter</b>					
1 to 2,262,000 gallons	1.9147				
Over 2,262,000 gallons	2.3910				
1 to 2,300,000 gallons		3.5280	3.1986	3.3500	3.5527
Over 2,300,000 gallons		4.4100	3.9983	4.2300	4.4860
<b>Commercial</b>					
<b>5/8" x 3/4" Meter</b>					
1 to 10,000 gallons	\$ 1.9147	\$ 3.5280	\$ 3.1986	\$ 3.3500	\$ 3.5527

Over 10,000 gallons	2.3910	4.4100	3.9983	4.2300	4.4860
1" Meter					
1 to 40,000 gallons	1.9147	3.5280	3.1986	3.3500	3.5527
Over 40,000 gallons	2.3910	4.4100	3.9983	4.2300	4.4860
1 ½" Meter					
1 to 75,000 gallons	N/A	3.5280	N/A	3.3500	3.5527
Over 75,000 gallons	N/A	4.4100	N/A	4.2300	4.4860
2" Meter					
1 to 125,000 gallons	1.9147	3.5280	3.1986	3.3500	3.5527
Over 125,000 gallons	2.3910	4.4100	3.9983	4.2300	4.4860
3" Meter					
1 to 298,000 gallons	1.9147				
Over 298,000 gallons	2.3910				
1 to 300,000 gallons		3.5280	3.1986	3.3500	3.5527
Over 300,000 gallons		4.4100	3.9983	4.2300	4.4860
4" Meter					
1 to 493,000 gallons	1.9147				
Over 493,000 gallons	2.3910				
1 to 500,000 gallons		3.5280	3.1986	3.3500	3.5527
Over 500,000 gallons		4.4100	3.9983	4.2300	4.4860
6" Meter					
1 to 925,000 gallons	1.9147				
Over 925,000 gallons	2.3910				
1 to 1,000,000 gallons		3.5280	3.1986	3.3500	3.5527
Over 1,000,000 gallons		4.4100	3.9983	4.2300	4.4860
8" Meter					
1 to 1,500,000 gallons	1.9147	3.5280	3.1986	3.3500	3.5527
Over 1,500,000 gallons	2.3910	4.4100	3.9983	4.2300	4.4860
10" Meter					
1 to 2,262,000 gallons	1.9147				
Over 2,262,000 gallons	2.3910				
1 to 2,300,000 gallons		3.5280	3.1986	3.3500	3.5527
Over 2,300,000 gallons		4.4100	3.9983	4.2300	4.4860
Industrial					
All meters & all gallons	\$ 1.6801	\$ 3.5280	\$ 3.1986	\$ 3.3500	\$ 3.5527
Coin Machine					
Gallons per Quarter (\$0.25)	118.94	65	65	N/A	64
Construction Water <sup>6</sup>					
5/8" x ¾" Meter					
1 to 10,000 gallons	N/A	N/A	N/A	\$ 3.3500	N/A
Over 10,000 gallons	N/A	N/A	N/A	4.2300	N/A
1" Meter					
1 to 40,000 gallons	N/A	N/A	N/A	3.3500	N/A
Over 40,000 gallons	N/A	N/A	N/A	4.2300	N/A
1 ½" Meter					
1 to 75,000 gallons	N/A	N/A	N/A	3.3500	N/A

<sup>6</sup> Construction water rates currently exist, and were proposed by AWC and RUCO on direct, only for 2-inch, 3-inch, and 4-inch meters. Staff recommended construction water rates for all meter sizes. The Settlement Agreement includes construction water rates only for 2-inch, 3-inch, and 4-inch meters.

Over 75,000 gallons	N/A	N/A	N/A	4.2300	N/A
2" Meter					
1 to 125,000 gallons	\$ 1.9147	\$ 3.5280	\$ 3.1986	\$ 3.3500	\$ 3.5527
Over 125,000 gallons	2.3910	4.4100	3.9983	4.2300	4.4860
3" Meter					
1 to 325,000 gallons	1.9147				
Over 325,000 gallons	2.3910				
1 to 300,000 gallons		3.5280	3.1986	3.3500	3.5527
Over 300,000 gallons		4.4100	3.9983	4.2300	4.4860
4" Meter					
1 to 500,000 gallons	1.9147	3.5280	3.1986	3.3500	3.5527
Over 500,000 gallons	2.3910	4.4100	3.9983	4.2300	4.4860
6" Meter					
1 to 1,000,000 gallons	N/A	N/A	N/A	3.3500	N/A
Over 1,000,000 gallons	N/A	N/A	N/A	4.2300	N/A
8" Meter					
1 to 1,500,000 gallons	N/A	N/A	N/A	3.3500	N/A
Over 1,500,000 gallons	N/A	N/A	N/A	4.2300	N/A
10" Meter					
1 to 2,300,000 gallons	N/A	N/A	N/A	3.3500	N/A
Over 2,300,000 gallons	N/A	N/A	N/A	4.2300	N/A
Sales for Resale					
All meters & all gallons	\$ 2.2489	\$ 3.5280	\$ 3.1986	\$ 3.3500	\$ 3.5527

ALL NORTHERN GROUP SYSTEMS						
Service Line and Meter Installation Charges						
	Current			Application, Staff Recommended, & Settlement Agreement		
Meter Size	Service Line	Meter	Total	Service Line*	Meter	Total*
5/8" Meter	\$ 445	\$ 155	\$ 600	\$ 445	\$ 155	\$ 600
1" Meter	495	315	810	495	315	810
2" Turbine	830	1,045	1,875	830	1,045	1,875
2" Compound	830	1,890	2,720	830	1,890	2,720
3" Turbine	1,045	1,670	2,715	Cost	Cost	Cost
3" Compound	1,165	2,545	3,710	Cost	Cost	Cost
4" Turbine	1,490	2,670	4,160	Cost	Cost	Cost
4" Compound	1,670	3,645	5,315	Cost	Cost	Cost
6" Turbine	2,210	5,025	7,235	Cost	Cost	Cost
6" Compound	2,330	6,920	9,250	Cost	Cost	Cost
8" Turbine	2,210	5,025	7,235	Cost	Cost	Cost
8" Compound	2,330	6,920	9,250	Cost	Cost	Cost
10" Turbine	2,210	5,025	7,235	Cost	Cost	Cost
10" Compound	2,330	6,920	9,250	Cost	Cost	Cost
* Actual cost of service line if boring under roadway is required.						

<b>ALL NORTHERN GROUP SYSTEMS</b>				
<b>Miscellaneous Service Charges</b>				
	<b><u>Current</u></b>	<b><u>AWC App.</u></b>	<b><u>Staff Recommended</u></b>	<b><u>Settlement Agreement</u></b>
<b><u>Service Charges</u></b>				
Establishment	\$16.00	\$32.00	\$32.00	\$32.00
Guarantee Deposit	*	*	*	*
Reconnection for Delinquency	\$16.00	\$32.00	\$32.00	\$32.00
Re-Establishment	**	**	**	**
Service Call Out, Regular Hours	No Charge	No Charge	\$30.00	No Charge
Service Call Out, After Hours <sup>A</sup>	\$35.00	N/A	\$45.00	N/A
Returned Check	\$25.00	N/A	N/A	N/A
Returned Payment for Insufficient Funds	N/A	\$25.00	\$25.00	\$25.00
Meter Re-Read, Regular Hours	No Charge	N/A	\$15.00	N/A
Meter Re-Read, After Hours <sup>A</sup>	\$35.00	N/A	\$45.00	N/A
Meter Re-Read	N/A	\$25.00	N/A	\$25.00
Meter Test	***	***	***	****
Late Charge, after 15 days	1.5%	1.5%	1.5%	1.5%
After Hours Service Charge <sup>A</sup>	N/A	\$35.00	N/A	\$35.00

- \* Residential maximum: Two times average customer class bill  
Non-residential maximum: Two and one-half times that customer's estimated maximum monthly bill
- \*\* Eight times the customer's monthly minimum charge, or payment of the minimums since disconnection, whichever is less.
- \*\*\* No charge for the first test; for the second test for the same customer within a 12-month period, \$50.00 or actual time and material, whichever is greater
- \*\*\*\* No charge for the first test; for the second test for the same customer within any twelve (12) month period, \$25.00, or actual time and material, whichever is greater
- <sup>A</sup> After Hours means after regular working hours, on Saturday or Sunday, or on a holiday.

**EXHIBIT B**

**ARIZONA WATER COMPANY**

**NORTHERN GROUP GENERAL RATE CASE**

**SETTLEMENT AGREEMENT**

SETTLEMENT AGREEMENT

AND

LIST OF SIGNATORY PARTIES

The purpose of this Settlement Agreement ("Agreement") is to settle identified disputed issues related to Docket No. W-01445A-12-0348, Arizona Water Company's ("AWC" or "Company") application to increase rates for its Northern Group of systems as identified in its August 1, 2012 application. This Agreement is entered into by the following entities:

Arizona Water Company ("AWC" or "Company")

The Utilities Division of the Arizona Corporation Commission ("Staff")

These entities shall be referred to collectively as the "Signatory Parties."

## TERMS AND CONDITIONS

In consideration of the promises and agreements contained in this Agreement, the Signatory Parties agree that the following numbered sections and subsections, including attached exhibits and schedules, comprise the Signatory Parties' Agreement.

## 1.0 RECITALS

1.1 Docket No. W-01445A-12-0348 was commenced by the filing of a rate application by AWC on August 1, 2012. AWC's application ("Application") requested a total proposed revenue increase of \$2,829,777, or approximately 28.0%, and a Fair Value Rate Base ("FVRB") of \$36,045,843.

1.2 Following a sufficiency finding by Staff docketed on August 30, 2012, the Residential Utility Consumer Office ("RUCO") filed an Application to Intervene on September 12, 2012.

1.3 The Administrative Law Judge granted the application to intervene filed by RUCO. No other persons or entities have intervened in this proceeding.

1.4 The Administrative Law Judge scheduled an evidentiary hearing on the Application to commence on May 13, 2013.

1.5 The parties' litigation positions for hearing associated with the total proposed revenue increase and FVRB, together with the amount proposed in settlement by the Signatory Parties, are as follows:

	Revenue Increase	% Increase	FVRB
Company	\$2,829,777	28.0 %	\$36,045,843
Staff	\$1,923,874	18.8%	\$36,057,615
RUCO	\$1,691,803	16.5%	\$34,755,533
<b>Settlement</b>	<b>\$2,240,329</b>	<b>21.8%</b>	<b>\$36,045,295</b>

1.6 Staff filed a notice of settlement discussions on March 13, 2013, noting that AWC had approached Staff concerning the possibility of settling the issues in the Rate Case, and that Staff was providing notice that settlement discussions concerning the Rate Case might commence on or after March 19, 2013. The Signatory Parties and RUCO were notified of the settlement discussion process, were encouraged to participate in the negotiations, and were provided with an equal opportunity to participate. Pursuant to the notice of settlement discussions, formal settlement discussions between the Signatory Parties and RUCO began on March 19, 2013 at the Commission's offices, and were concluded that same day, with a settlement reached on all issues in the Rate Case by the Signatory Parties. The Signatory Parties believe that the settlement reached between them addresses many of the issues in the Rate Case raised by RUCO, but not all such issues.

1.7 The Signatory Parties agree that the negotiation process undertaken in this matter was open, transparent and inclusive of all Signatory Parties and RUCO, with each such party having an equal opportunity to participate. All Signatory Parties and RUCO, including their counsel and principal witnesses and representatives, attended and actively participated in all phases of the settlement discussions. This Agreement is a result of those meetings and the Signatory Parties' and RUCO's good faith efforts to settle all of the issues presented in this Rate Case. A material consideration by AWC in compromising its positions in the Rate Case is the ability to quickly move its Application to final determination by the Commission, so that the new rates as set forth in this Agreement and ordered by the Commission may be implemented at the earliest possible date. To this end, the Signatory Parties agree to expedite their efforts in advancing this matter before the Commission consistent with the Procedural Orders made in the Rate Case and Commission Rules.

1.8 The purpose of this Agreement is to settle all issues presented in the Rate Case in a manner that will promote the public interest, provide for a prompt resolution of the issues, and allow expeditious implementation of the new rates as ordered by the Commission.

1.9 The Signatory Parties agree that the terms of this Agreement will serve the public interest by providing a just and reasonable resolution of the issues presented by the Rate Case, establishing just and reasonable rates for AWC's customers, and promoting the health, welfare and safety of AWC's customers. Commission approval of this Agreement will further serve the public interest by allowing the Signatory Parties to avoid the expense and delay associated with continued litigation. The Signatory Parties believe the provisions set forth in this Agreement address the issues raised by RUCO, except as to the negotiated rate of return on common equity, set forth in Section 3.0 below, as it relates to 1) the impact of the System Improvement Benefits ("SIB") mechanism, and 2) the negotiated rate design's incorporation of a declining usage adjustment.

1.10 The Signatory Parties agree to ask the Commission to (1) find that the terms and conditions of this Agreement are just and reasonable and in the public interest, along with all other necessary findings, and (2) approve the Agreement and order that the Agreement and the rates contained therein shall become effective at the earliest practicable date.

## 2.0 REVENUE REQUIREMENT, RATE BASE, INCOME STATEMENTS AND ADJUSTMENTS TO SAME

2.1 For ratemaking purposes and for the purposes of this Agreement, the Signatory Parties agree that:

2.2 AWC will receive an annual increase in revenues of \$2,240,329, for an annual revenue requirement of \$12,496,939;

2.3 The FVRB, which is determined based on the Original Cost Less Depreciation Rate Base for purposes of this Rate Case, is \$36,045,295.

2.4 The breakdown of test year revenues of the Northern Group among the Navajo (Lakeside and Overgaard) and Verde Valley (Sedona, Pinewood and Rimrock) systems is set forth in Schedule A-1 attached and incorporated into the Agreement by this reference.

2.5 The breakdown of FVRB of the Northern Group among the Navajo (Lakeside and Overgaard) and Verde Valley (Sedona, Pinewood and Rimrock) systems is set forth in Schedule B-1 attached and incorporated into the Agreement by this reference.

2.6 The Pro Forma Adjustments applicable to FVRB for the Northern Group and the breakdown of such adjustments among the Navajo (Lakeside and Overgaard) and Verde Valley (Sedona, Pinewood and Rimrock) systems and the Phoenix Office and Meter Shop are set forth in Schedule B-2, including its appendix attached, which are incorporated into the Agreement by this reference.

2.7 The Adjusted Test Year Operating Income applicable to the Northern Group and the breakdown of same among the Navajo (Lakeside and Overgaard) and Verde Valley (Sedona, Pinewood and Rimrock) systems are set forth in Schedule C-1 attached and incorporated into the Agreement by this reference.

2.8 The Income Statement Pro Forma Adjustments applicable to the Northern Group and the breakdown of such adjustments among the Navajo (Lakeside and Overgaard) and Verde Valley (Sedona, Pinewood and Rimrock) systems are set forth in Schedule C-2, including its appendix attached, which are incorporated into the Agreement by this reference.

2.9 The computation of the Gross Revenue Conversion Factor applicable to the Northern Group and the breakdown of such factor among the Navajo (Lakeside and Overgaard) and Verde Valley (Sedona, Pinewood and Rimrock) systems are set forth in Schedule C-3 attached and incorporated into the Agreement by this reference.

### 3.0 COST OF CAPITAL

3.1 For ratemaking purposes and for the purposes of this Agreement, the Signatory Parties agree that an appropriate return on common equity shall be 10.0%, an appropriate cost of long-term debt shall be 6.82%, and that a capital structure comprised of 48.9% long-term debt and 51.1% common equity shall be adopted, which equates to a weighted cost of debt of 3.33%, a weighted cost of common equity of 5.11%, and an overall Weighted Average Cost of Capital of 8.44%, as set forth in Schedule D-1 attached and incorporated into the Agreement by reference.

### 4.0 RATE DESIGN

4.1 For ratemaking purposes and for the purposes of this Agreement, the Signatory Parties agree that:

4.2 The summary of changes in representative rate schedules by customer classification for the Navajo (Lakeside and Overgaard) and Verde Valley (Sedona, Pinewood and Rimrock) systems are set forth in Schedule H-3 attached and incorporated into the Agreement by this reference.

4.3 The rate schedules for the Navajo (Lakeside and Overgaard) and Verde Valley (Sedona, Pinewood and Rimrock) systems set forth in Schedule H-3 attached and incorporated into the Agreement by this reference reflect certain post-Test Year declines in customer usage.

4.4 The summary of a typical bill analysis, showing impact on bills from the settlement set forth in this Agreement for the Navajo (Lakeside and Overgaard) and Verde Valley (Sedona, Pinewood and Rimrock) systems is set forth in Schedule H-4 attached and incorporated into the Agreement by this reference.

## 5.0 RATE CONSOLIDATION

5.1 The Signatory Parties agree that AWC may complete the full consolidation of its Verde Valley (Sedona, Pinewood and Rimrock) system.

## 6.0 SYSTEM IMPROVEMENT BENEFITS ("SIB") MECHANISM

6.1 Pursuant to the Commission's directive, the Signatory Parties and RUCO participated in lengthy settlement discussions concerning a SIB Mechanism in AWC's Eastern Group rate proceeding, Docket No. W-01445A-11-0310. Those discussions resulting in a Settlement Agreement being docketed in that proceeding on April 1, 2013, a copy of which is attached as Exhibit 1 and incorporated by reference (the "SIB Settlement"). In the SIB Settlement, the Signatory Parties agreed that the SIB mechanism discussed in the SIB Settlement may be used as a template in other proceedings. For ratemaking purposes and for the purposes of this Agreement, the Signatory Parties agree that the terms and conditions of the SIB Settlement as is ultimately approved by the Commission in Docket No. W-01445A-11-310 shall be applicable to AWC's Navajo (Lakeside, Pinetop Lakes, Overgaard and Forest Towne) and Verde Valley (Sedona, Valley Vista, Pinewood and Rimrock) public water systems, and that the SIB mechanism adopted in the SIB Settlement shall be available to those systems under the terms and conditions set forth in the SIB Settlement, adjusted as appropriate to reflect the specific projects eligible for SIB treatment in the Pinetop Lakes, Overgaard, Sedona, Pinewood, and Rimrock public water systems. The Signatory Parties agree that all factors incorporated into the SIB Settlement and its application to AWC's Northern Group in this proceeding have been carefully considered in reaching settlement on the Cost of Capital, as set forth in Section 3.0 above.

## 7.0 OTHER SETTLEMENT ISSUES

7.1 The Signatory Parties agree on AWC's Off-Site Facilities Fee as proposed in its Application and on the Company's Off-site Facilities Fee Tariff Schedule in the form set forth on Exhibit 2 attached and incorporated into the Agreement by this reference.

7.2 The Signatory Parties agree that that an Arsenic Cost Recovery Mechanism ("ACRM") is authorized for AWC's Navajo and Verde Valley systems.

7.3 The Signatory Parties agree that AWC may defer its costs associated with implementing and performing its Commission approved Best Management Practices for recovery in a future general rate case, and that AWC should record such deferral of costs.

#### 8.0 COMMISSION EVALUATION OF PROPOSED SETTLEMENT

8.1 This Agreement shall serve as a procedural device by which the Signatory Parties will submit their proposed settlement of AWC's Rate Case Docket No. W-01445A-12-0348 to the Commission.

8.2 All currently-filed testimony and exhibits, as well as the testimony in support of this Agreement anticipated by the Commission's September 19, 2012 and February 14, 2013 Procedural Orders, shall be offered into the Commission's record as evidence.

8.3 The Signatory Parties recognize that the Commission will independently consider and evaluate the terms of this Agreement.

8.4 If the Commission issues an order adopting all material terms of this Agreement, such action shall constitute Commission approval of the Agreement. Thereafter, the Signatory Parties shall abide by the terms as approved by the Commission.

8.5 The Signatory Parties agree to support and defend this Agreement, including filing testimony in support of the Agreement and presenting evidence in support of the Agreement at the hearing scheduled to begin on May 13, 2013, and will not oppose any provision of the Agreement in pre-filed or live testimony. The Signatory Parties agree to waive their rights to appeal a Commission Decision approving the same, provided that the Commission approves all material provisions of the Agreement. The Signatory Parties shall take reasonable steps to expedite consideration of the settlement, entry of a Decision adopting the settlement, and implementation of the rates anticipated in this Agreement and shall not seek any delay in the schedules set for consideration of the Agreement or for the Administrative Law Judge's or Commission's consideration of the settlement embodied in the Agreement. If the Commission adopts an order approving all material terms of this Agreement, the Signatory Parties will support and defend the Commission's order before any court or regulatory agency in which it may be at issue.

8.6 Consistent with any order of the Commission, AWC shall file compliance tariffs for Staff review and approval. Such compliance tariffs, however, will become effective upon the effective date of the rate increase stated in the Commission's Order.

8.7 If the Commission fails to issue an order adopting all material terms of this Agreement or adds new or different material terms to this Agreement or decides any issue or adopts any position in conflict with any material term of this Agreement, any or all of the Signatory Parties may withdraw from this Agreement, and such Signatory Party or Parties may pursue without prejudice their respective remedies at law. For the purposes of this Agreement, whether a term is material shall be left to the discretion of the Signatory Party choosing to withdraw from the Agreement. If AWC files an application for rehearing before the

Commission, Staff shall not be obligated to file any document or take any position regarding AWC's application for rehearing.

8.8 The Signatory parties recognize that Staff does not have the power to bind the Commission. For purposes of proposing a settlement agreement, Staff acts in the same manner as any party to a Commission proceeding.

## 9.0 MISCELLANEOUS PROVISIONS

9.1 The provisions set forth in the Agreement are made for purposes of compromised settlement only and shall not be construed as admissions against interest or waivers of litigation positions of the Signatory Parties in this Rate Case or related to other or future rate cases.

9.2 This Agreement represents the Signatory Parties' mutual desire to compromise and settle disputed issues in a manner consistent with the public interest. None of the positions taken in this Agreement by any of the Signatory Parties may be referred to, cited, or relied upon as precedent in any proceeding before the Commission, any other regulatory agency, or any court for any purpose except in furtherance of this Agreement.

9.3 This case presents a unique set of circumstances and compromises to achieve consensus for settlement, participants may be accepting positions that, in other circumstances, they would be unwilling to accept. They are doing so because the Agreement, as a whole, with its various provisions for settling the unique issues presented by this case, is consistent with their long-term interests and with the broad public interest. The acceptance by any Signatory Party of a specific element of this Agreement shall not be considered as precedent for acceptance of that element in any other context.

9.4 No Signatory Party is bound by any position asserted in negotiations, except as expressly stated otherwise in this Agreement. No Signatory Party shall offer evidence of conduct or statements made in the course of negotiating this Agreement before this Commission, or any other regulatory agency, or any court.

9.5 Each of the terms and conditions of the Agreement is in consideration and support of all other terms. Accordingly, the terms are not severable.

9.6 The Signatory Parties warrant and represent that each person whose signature appears below is fully authorized and empowered to execute this Agreement.

9.7 The Signatory Parties acknowledge that they are represented by competent legal counsel and that they understand all of the terms of this Agreement and have had an opportunity to participate in the drafting of this Agreement and to fully review it with their counsel before signing, and that they execute this Agreement with full knowledge of the terms of the Agreement.

9.8 This Agreement may be executed in any number of counterparts and by each individual Signatory Party on separate counterparts, each of which when so executed and

Executed this 15<sup>TH</sup> day of April, 2013.

ARIZONA WATER COMPANY

By: William M. Garfield  
Name: William M. Garfield  
Its: President and Chief Operating Officer

ARIZONA CORPORATION COMMISSION  
UTILITIES DIVISION

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: \_\_\_\_\_

delivered shall be deemed an original and all of which taken together shall constitute one and the same instrument. This Agreement may also be executed electronically or by facsimile.


9.9 To the extent any provision of this Agreement is inconsistent with any existing Commission order, rule or regulation, this Agreement shall control.

Executed this \_\_\_\_ day of April, 2013.

ARIZONA WATER COMPANY

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: \_\_\_\_\_

ARIZONA CORPORATION COMMISSION  
UTILITIES DIVISION

By:  \_\_\_\_\_  
Name: STEVE O'LEA  
Its: UTILITIES DIVISION DIRECTOR

**ARIZONA WATER COMPANY**  
Test Year Ended December 31, 2011  
Computation of Increase in Gross Revenue Requirement

Line No.	Description	Northern Group		Verde Valley (Sedona, Pinewood, Rimrock)	
		(A) Total Northern Group	(B) Navajo	(C) Sedona, Pinewood, Rimrock	(D) Verde Valley
1					
2					
3					
4	Adjusted Rate Base	\$ 38,045,295	\$ 10,080,534	\$ 25,964,762	
5	Adjusted Operating Income	\$ 1,684,394	\$ 474,971	\$ 1,209,423	
6					
7	Current Rate of Return (Ln. 5 + Ln. 4)	4.67%	4.72%	4.65%	
8					
9	Required Operating Income (Ln. 4 X Ln. 7)	\$ 3,044,018	\$ 849,810	\$ 2,194,208	
10					
11	Required Rate of Return	8.44%	8.44%	8.44%	
12					
13	Operating Income Deficiency (Ln. 10 - Ln. 9)	\$ 1,359,824	\$ 374,839	\$ 984,985	
14					
15	Gross Revenue Conversion Factor	1.6478	1.6510	1.6465	
16					
17	Required Increase in Gross Revenue (Ln. 14 X Ln. 15)	\$ 2,240,329	\$ 618,535	\$ 1,621,794	
18					
19	Adjusted Test Year Revenue	\$ 10,256,611	\$ 3,663,832	\$ 6,592,779	
20					
21	Adjusted Revenue with Increase	\$ 12,496,939	\$ 4,282,368	\$ 8,214,571	
22					
23	Required Increase in Revenue %	21.8%	18.9%	24.8%	
24					
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Supporting Schedules:  
Settlement B-1, Settlement C-1, Settlement C-3

ARIZONA WATER COMPANY  
Test Year Ended December 31, 2011  
Summary Original Cost Rate Base

Line No.	Northern Group		
	(A)	(B)	(C)
	O.C. Rate Base Concavity - As Filed	Settlement Adjustments	O.C. Rate Base Settlement
1	\$ 84,174,349	\$ 228,793	\$ 84,403,142
2			
3			
4	23,193,912	5,254	23,199,166
5	61,010,537	223,539	61,234,076
6			
7			
8	7,048,087		7,048,087
9			
10	18,491,869		18,491,869
11	(3,964,163)		(3,964,163)
12	12,527,706		12,527,706
13			
14	8,408,416		8,408,416
15	68,783		68,783
16			
17	1,068,288	(224,087)	882,210
18			
19			
20			
21			
22			
23	36,045,843	(548)	36,045,295
24			
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Gross Plant In Service  
Less:  
Accumulated Depreciation  
Net Plant In Service  
Less:  
Advances In Aid of Construction  
Contributions In Aid of Construction:  
Gross  
Accumulated Amortization  
Net Contributions In Aid of Construction  
Deferred Income Tax  
Customer Deposits  
Add:  
Working Capital  
Net Regulatory Asset / (Liability)

Total Rate Base

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**ARIZONA WATER COMPANY**  
Test Year Ended December 31, 2011  
Original Cost Rate Base Proforma Adjustments

Line No.	Plant Classification	Northern Group										Total Settlement Adjustments	Adjusted Test Year - Settlement
		(A) Actual End of Test Year	(B) Total Pro Forma Adjustments	(C) Adjusted Test Year - As Filed	(D) Settlement Adj. No. 1	(E) Settlement Adj. No. 2	(F) Settlement Adj. No. 3	(G) Settlement Rate Base Adjustments	(H) BLANKS	(I) BLANKS	(J) Settlement Adj. No. 4		
1													
2	Plant Classification												
3	Interchange Plant	\$ 5,319	\$ 2,008	\$ 7,327	\$ 118,908	\$ (25,334)	\$	\$	\$	\$	\$	\$ 91,574	\$ 9,708,160
4	Source of Supply Plant	9,566,569	60,018	9,626,587	87,225	(3,854)						87,225	6,328,774
5	Pumping Plant	6,219,549	40,000	6,259,549	(34,191)	(3,854)						(38,145)	6,864,452
6	Water Treatment Plant	4,051,359	2,971,238	7,022,597	65,475							65,475	57,442,810
7	Transmission & Distribution Plant	56,770,161	607,273	57,377,435	43,948							43,948	3,833,818
8	General Plant	1,650,158	2,000,716	3,650,874	258,383	(29,288)						229,095	84,403,142
9	Total Gross Plant In Service	\$ 78,503,086	\$ 5,871,253	\$ 84,374,339	\$ 258,383	\$ (29,288)	\$	\$	\$	\$	\$	\$ 228,793	\$ 23,189,086
10													
11	Less:												
12	Accumulated Depreciation	22,655,322	505,450	23,160,772	5,312	(57)						5,254	61,234,078
13	Net Plant In Service	\$ 55,847,774	\$ 5,162,783	\$ 61,010,557	\$ 253,071	\$ (29,231)	\$	\$	\$	\$	\$	\$ 223,538	\$ 7,048,087
14													
15	Less:												
16	Advances in Aid of Construction	7,048,087		7,048,087									18,491,869
17	Contributions in Aid of Construction:												
18	Gross	10,491,869		10,491,869									13,984,183
19	Accumulated Amortization	(3,984,183)		(3,984,183)									12,527,706
20	Net Contributions in Aid of Construction	\$ 12,527,706	\$	\$ 12,527,706	\$	\$	\$	\$	\$	\$	\$	\$	\$ 6,408,416
21	Deferred Income Tax		6,408,416	6,408,416									68,783
22	Customer Deposits	68,783		68,783									892,210
23													
24	Add:												
25	Working Capital	1,086,296		1,086,296									
26	Net Regulatory Asset / (Liability)						(224,087)					(224,087)	
27													
28	Total Rate Base	\$ 37,289,100	\$ (1,243,653)	\$ 36,045,447	\$ 253,051	\$ (29,231)	\$ (224,087)	\$	\$	\$	\$	\$ (248)	\$ 35,045,235
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DOCKET NO. W-01445A-12-0348

**ARIZONA WATER COMPANY**  
Test Year Ended December 31, 2011  
Original Cost Rate Base Pro Forma Adjustments

Line No.	(A) Actual End of Test Year	(B) Total Pro Forma Adjustments	(C) Adjusted Test Year As Filed	(D) Settlement Adj. No. 1	(E) Settlement Adj. No. 2	(F) Settlement Adj. No. 3	(G) Settlement Rate Base Adjustments	(H) BLANKS	(I) BLANKS	(J) Settlement Adj. No. 4	(K) Total Settlement Adjustments	(L) Adjusted Test Year - Settlement
1												
2	\$ 1,946	\$ 863	\$ 2,809	\$ 116,908	\$ (25,334)						\$ 91,574	\$ 2,431,322
3	2,286,740	50,008	2,336,748	67,225	(39,878)						67,225	2,997,749
4	2,690,524	40,000	2,930,524	(35,724)	(3,954)						(39,678)	156,878
5	148,393	50,193	198,587	74,627							74,627	22,876,910
6	22,654,431	150,653	22,805,084	34,533							34,533	1,981,171
7	1,023,523	913,238	1,936,761	(28,266)							(121)	30,451,539
8	\$ 23,019,527	\$ 1,204,653	\$ 24,224,180	\$ 287,568	\$ (28,266)						\$ 223,159	\$ 30,451,539
9												
10												
11	\$ 6,516,531	\$ 202,492	\$ 6,719,023	\$ 5,106	\$ (26,231)						\$ 5,042	\$ 9,723,054
12	19,892,898	1,002,361	20,895,259	282,466	(26,231)						223,117	20,727,484
13												
14												
15	3,416,251		3,416,251									3,416,251
16												
17	6,338,423		6,338,423									6,338,423
18	(1,419,824)		(1,419,824)									(1,419,824)
19	4,868,599		4,868,599									4,868,599
20												
21												
22	21,020	2,752,278	2,773,298									2,752,278
23												21,020
24												
25	454,831		454,831								(73,834)	381,197
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Recap Schedules:  
Settlement B-1

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Supporting Schedules:

DECISION NO

**ARIZONA WATER COMPANY**  
Test Year Ended December 31, 2011  
Original Cost Rate Base Pro Forma Adjustments

Line No.	[A] Actual End of Test Year	[B] Total Pro Forma Adjustments	[C] Adjusted Test Year - As Filed	[D] Settlement Adj. No. 1	[E] Settlement Adj. No. 2	[F] Settlement Adj. No. 3	[G] Settlement Adj. No. 4	[H] Settlement Adj. No. 5	[I] Settlement Adj. No. 6	[J] Settlement Adj. No. 7	[K] Total Settlement Adjustments	[L] Adjusted Test Year - Settlement
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Page 3 of 5  
Settlement B-1

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Supporting Schedules

DECISION NO. \_\_\_\_\_

	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)
	Actual End of Test Year	Total Pro Forma Adjustments	Adjusted Test Year As Filed	Settlement Adl. No. 1	Settlement Adl. No. 2	Settlement Adl. No. 3	Settlement Rate Base Adjustments	BLANK	BLANK	BLANK	Total Settlement Adjustments	Adjusted Test Year Settlement
Plant Classification												
Intangible Plant	\$ 9,148	\$ (9,148)	\$ -	\$ -	\$ -	\$ -					\$ -	\$ -
Source of Supply Plant	-	-	-	-	-	-					-	-
Pumping Plant	-	-	-	-	-	-					-	-
Water Treatment Plant	-	-	-	-	-	-					-	-
Transmission & Distribution Plant	-	-	-	-	-	-					-	-
General Plant	\$ 6,950,268	\$ (6,950,268)	-	\$ (1,260)	-	-					\$ 1,260	\$ -
Total Gross Plant in Service	\$ 6,959,412	\$ (6,959,412)	\$ -	\$ (1,260)	\$ -	\$ -					\$ 1,260	\$ -
Less:												
Accumulated Depreciation	\$ 1,958,538	\$ (1,958,538)	-	\$ (101)	-	-					\$ 101	\$ -
Net Plant in Service	\$ 5,000,874	\$ (5,040,874)	\$ -	\$ (1,159)	\$ -	\$ -					\$ 1,159	\$ -
Less:												
Advances in Aid of Construction	-	-	-	-	-	-					-	-
Contributions in Aid of Construction:												
Gross	-	-	-	-	-	-					-	-
Accumulated Amortization	-	-	-	-	-	-					-	-
Net Contributions in Aid of Construction	-	-	-	-	-	-					-	-
Deferred Income Tax	\$ 29,186,404	\$ (29,186,404)	-	-	-	-					-	-
Customer Deposits	-	-	-	-	-	-					-	-
Add:												
Working Capital	-	-	-	-	-	-					-	-
Net Regulatory Asset / (Liability)	-	-	-	-	-	-					-	-
Total Rate Base	\$ (24,145,531)	\$ 24,145,531	\$ -	\$ (1,159)	\$ -	\$ -					\$ 1,159	\$ -

DOCKET NO. W-01445A-12-0348

Recap Schedules:  
Settlement B-1

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### Supporting Schedules:

ARIZONA WATER COMPANY

Test Year Ended December 31, 2011

Original Cost Rate Base Pro Forma Adjustments

Line No.	(A) Actual End of Test Year	(B) Total Pro Forma Adjustments	(C) Adjusted Test Year As Filed	(D) Settlement Adj. No. 1	(E) Settlement Adj. No. 2	(F) Settlement Adj. No. 3	(G) Settlement Rate Base Adjustments	(H) BLANKS	(I) BLANKS	(J) Settlement Adj. No. 4	(K) Total Settlement Adjustments	(L) Adjusted Test Year Settlement
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Receipt Schedule:  
Settlement B-1

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Supporting Schedules:

DECISION NO.

ARIZONA WATER COMPANY  
Test Year Ended December 31, 2011  
Settlement Rate Base Adjustment No. 1  
Post-Test Year Plant True-Up

Line No.	Description	Navajo				Adjustment to Depreciation Expense
		(A) 1-4921 As Filed	(B) Work Authorization 1-4921 Actual Cost	(C) Increase / (Decrease)	(D)	
1	Intangible Plant					
2	301 Organization	0.00%				
3	302 Franchises	n/a				
4	303 Other Intangibles	n/a				
5	Subtotal Intangible Plant					
6	304 Sources of Supply Plant					
7	310.1 Water Right	0.00%				
8	310.3 Other Source of Supply Land	0.00%				
9	310.4 Wells - Other	n/a				
10	314 Wells	3.13%				
11	Subtotal Source of Sup. Plant					
12	Pumping Plant					
13	320 Pumping Plant Land	0.00%				
14	321 Pumping Plant Struct. & Improv.	2.88%				
15	325 Electric Pumping Equipment	5.88%				
16	326 Gas Engine Equipment	4.00%				
17	Subtotal Pumping Plant					
18	Water Treatment Plant					
19	330 Water Treatment Plant Land	0.00%				
20	331 Water Treat. Struct. & Improv.	2.50%				
21	332 Water Treatment Equipment	2.88%				
22	Subtotal Water Treat. Plant					
23	Transmission & Distribution Plant					
24	340 Trans. and Dist. Land	0.00%				
25	342 Storage Tanks	2.00%				
26	343 Trans. & Dist. Mains	1.79%	39,482	(6,110)	(81)	
27	344 Fire Sprinkler Taps	2.00%				
28	345 Services	2.38%	489	(489)	(12)	
29	346 Meters	4.53%				
30	348 Hydrants	1.82%				
31	Subtotal Trans. & Dist.		39,981	34,372	(5,609)	(103)
32	General Plant					
33	389 General Plant Land	0.00%				
34	390 General Plant Structures	2.50%				
35	390.1 Leasehold Improvements	n/a				
36	391 Office Furniture & Equipment	6.87%				
37	393 Warehouse Equipment	5.00%				
38	394 Tools, Shop & Garage Equip.	4.00%				
39	395 Laboratory Equipment	5.00%				
40	396 Power Operated Equipment	6.87%				
41	397 Communication Equipment	6.87%				
42	398 Miscellaneous Equipment	3.33%				
43	Subtotal General Plant					
44	Total Utility Plant		39,981	34,372	(5,609)	(103)
45	Accumulated Depreciation (1/2-Year Convention)					(52)
46	Net Plant					(9,589)

Updated costs provided in response to Staff data request INM 6.1/UCO data request 1.30.

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Supporting Schedules:

ARIZONA WATER COMPANY  
Test Year Ended December 31, 2011  
Settlement Rate Base Adjustment No. 1 (continued)  
Post-Test Year Plant True-Up

Line No.		Nevada (Continued)			
		(A) 1-4922 As Filed	(B) Work Authorization 1-4922 Actual Cost	(C) 1-4922 Increase / (Decrease)	(D) Adjust to Depreciation Expense
1	Intangible Plant	0.00%			
2	301 Organization	n/a			
3	302 Franchises	n/a			
4	303 Other Intangibles				
5	Subtotal Intangible Plant				
6	Source of Supply Plant	0.00%			
7	310.1 Water Rights	0.00%			
8	310.3 Other Source of Supply Land	n/a			
9	310.4 Wells - Other	3.13%	50,000	141,574	91,574
10	314 Wells		50,000	141,574	91,574
11	Subtotal Source of Sup. Plant				
12	Pumping Plant	0.00%			
13	320 Pumping Plant Land	2.86%			
14	321 Pumping Plant Struct. & Improv.	5.88%	82,630	82,630	4,859
15	325 Electric Pumping Equipment	4.00%			
16	328 Gas Engine Equipment				
17	Subtotal Pumping Plant				
18	Water Treatment Plant	0.00%			
19	330 Water Treatment Plant Land	2.86%			
20	331 Water Trmt. Struct. & Improv.				
21	332 Water Treatment Equipment				
22	Subtotal Water Trmt. Plant				
23	Transmission & Distribution Plant	0.00%			
24	340 Trans. and Dist. Land	2.00%			
25	342 Storage Tanks	1.79%			
26	343 Trans. & Dist. Mains	2.00%			
27	344 Fire Sprinkler Taps	2.38%			
28	345 Services	4.55%			
29	346 Meters	1.82%			
30	348 Hydrants				
31	Subtotal Trans. & Dist.				
32	General Plant	0.00%			
33	389 General Plant Land	2.50%			
34	390 General Plant Structures	n/a			
35	390.1 Leasehold Improvements	6.67%			
36	391 Office Furniture & Equipment	5.00%			
37	393 Warehouse Equipment	4.00%			
38	394 Tools, Shop & Garage Equip.	5.00%			
39	395 Laboratory Equipment	6.67%			
40	396 Power Operated Equipment	6.67%			
41	397 Communication Equipment	3.33%			
42	398 Miscellaneous Equipment				
43	Subtotal General Plant				
44	Total Utility Plant		50,000	224,204	174,204
45					
46	Accumulated Depreciation (1/2-Year Convention)				7,725
47					
48					3,862
49	Net Plant				170,342
50					
51					
52					
53					
54					
55					

\*Updated costs provided in response to Staff data request JMM 6.1/UCO data request 1.30.

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Supporting Schedules:

ARIZONA WATER COMPANY  
Test Year Ended December 31, 2011  
Settlement Rate Base Adjustment No. 1 (continued)  
Post-Test Year Plant True-Up

Line No.	Description	Navajo (Continued)			
		(A) 1-4924 As Filed	(B) 1-4924 Actual Cost	(C) 1-4924 Increase / (Decrease)	(D) Adjustment to Depreciation Expense
1	Intangible Plant				
2	301 Organization	0.00%			
3	302 Franchises	n/a			
4	303 Other Intangibles	n/a			
5	Subtotal Intangible Plant				
6	Source of Supply Plant	0.00%			
7	310.1 Water Rights	0.00%			
8	310.3 Other Source of Supply Land	n/a			
9	310.4 Wells - Other	3.13%			
10	314 Wells				
11	Subtotal Source of Sup. Plant				
12	Pumping Plant	0.00%			
13	320 Pumping Plant Land	2.86%			
14	321 Pumping Plant Struct. & Improv.	5.85%			
15	322 Electric Pumping Equipment	4.00%			
16	323 Gas Engine Equipment				
17	Subtotal Pumping Plant				
18	Water Treatment Plant	0.00%			
19	330 Water Treatment Plant Land	2.50%			
20	331 Water Trmt. Struct. & Improv.				
21	332 Water Treatment Equipment				
22	Subtotal Water Trmt. Plant				
23	Transmission & Distribution Plant	0.00%			
24	340 Trans. and Dist. Land	2.00%			
25	342 Storage Tanks	1.79%			
26	343 Trans. & Dist. Mains	2.50%	130,256	130,256	3,100
27	344 Fire Sprinkler Taps	2.36%		(50,000)	(2,275)
28	345 Services	4.55%	50,000		
29	346 Meters	1.82%			
30	348 Hydrants		50,000	50,256	825
31	Subtotal Trans. & Dist.				
32	General Plant	0.00%			
33	389 General Plant Land	2.50%			
34	390 General Plant Structures	n/a			
35	390.1 Leasehold Improvements	6.87%			
36	391 Office Furniture & Equipment	5.00%			
37	393 Warehouse Equipment	4.00%			
38	394 Tools, Shop & Garage Equip.	5.00%			
39	395 Laboratory Equipment	6.87%			
40	396 Power Operated Equipment	6.87%			
41	397 Communication Equipment	3.33%			
42	398 Miscellaneous Equipment				
43	Subtotal General Plant				
44	Total Utility Plant		50,000	130,256	80,256
45	Accumulated Depreciation (1/2-Year Convention)				
46					
47					
48	Net Plant				
49					
50					
51					
52					
53					
54					
55					

\*Updated costs provided in response to Staff data request JMM 6.1/UCO data request 1.30.

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Supporting Schedules:

ARIZONA WATER COMPANY  
Test Year Ended December 31, 2011  
Settlement Rate Base Adjustment No. 1 (continued)  
Post-Test Year Plant True-Up

Line No.		Navajo (Continued)				Adjustmt to Depreciation Expense
		(A) 1-4925 As Filed	(B) Work Authorization 1-4925 Actual Cost	(C) 1-4925 Increase / (Decrease)	(D)	
1	Intangible Plant	0.00%				
2	301 Organization	n/a				
3	302 Franchises	n/a				
4	303 Other Intangibles					
5	Subtotal Intangible Plant					
6	Source of Supply Plant	0.00%				
7	310.1 Water Rights	0.00%				
8	310.3 Other Source of Supply Land	n/a				
9	310.4 Wells - Other	3.13%				
10	314 Wells					
11	Subtotal Source of Sup. Plant					
12	Pumping Plant	0.00%				
13	320 Pumping Plant Land	2.86%				
14	321 Pumping Plant Struct. & Improv.	5.88%	40,000	24,595	(15,405)	(908)
15	325 Electric Pumping Equipment	4.00%				
16	328 Gas Engine Equipment					
17	Subtotal Pumping Plant		40,000	24,595	(15,405)	(908)
18	Water Treatment Plant	0.00%				
19	330 Water Treatment Plant Land	2.50%				
20	331 Water Treatm. Struct. & Improv.	2.86%				
21	332 Water Treatment Equipment					
22	Subtotal Water Treatm. Plant					
23	Transmission & Distribution Plant	0.00%				
24	340 Trans. and Dist. Land	2.00%				
25	342 Storage Tanks	1.79%				
26	343 Trans. & Dist. Mains	2.00%				
27	344 Fire Sprinkler Taps	2.35%				
28	345 Services	4.55%				
29	346 Meters	1.82%				
30	348 Hydrants					
31	Subtotal Trans. & Dist.					
32	General Plant	0.00%				
33	389 General Plant Land	2.50%				
34	390 General Plant Structures	n/a				
35	390.1 Leasehold Improvements	6.87%				
36	391 Office Furniture & Equipment	5.00%				
37	393 Warehouse Equipment	4.00%				
38	394 Tools, Shop & Garage Equip.	5.00%				
39	395 Laboratory Equipment	6.87%				
40	396 Power Operated Equipment	6.87%				
41	397 Communication Equipment	3.33%				
42	398 Miscellaneous Equipment					
43	Subtotal General Plant					
44	Total Utility Plant		40,000	24,595	(15,405)	(908)
45	Accumulated Depreciation (1/2-Year Convention)					(483)
46	Net Plant					(14,952)

\*Updated costs provided in responses to Staff data request JMM 6, 1/1/10 data request 1.30.

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Supporting Schedules:

ARIZONA WATER COMPANY  
Test Year Ended December 31, 2011  
Settlement Rate Base Adjustment No. 1 (continued)  
Post-Test Year Plant True-Up

Line No.		Navajo (Continued)				Adjustment to Depreciation Expenses
		(A) 1-4928 As Filed	(B) Work Authorization 1-4928 Actual Cost	(C) Increase / (Decrease)	(D)	
1	Intangible Plant	0.00%				
2	301 Organization	n/a				
3	302 Franchises	n/a				
4	303 Other Intangibles					
5	Subtotal Intangible Plant					
6	Source of Supply Plant	0.00%				
7	310.1 Water Rights	0.00%				
8	310.3 Other Source of Supply Land	0.00%				
9	310.4 Wells - Other	n/a				
10	314 Wells	3.13%				
11	Subtotal Source of Sup. Plant					
12	Pumping Plant	0.00%				
13	320 Pumping Plant Land	2.86%				
14	321 Pumping Plant Struct. & Improv.	5.88%				
15	325 Electric Pumping Equipment	4.00%				
16	328 Gas Engine Equipment					
17	Subtotal Pumping Plant					
18	Water Treatment Plant	0.00%				
19	330 Water Treatment Plant Land	2.80%				
20	331 Water Treat. Struct. & Improv.	2.86%				
21	332 Water Treatment Equipment					
22	Subtotal Water Treat. Plant					
23	Transmission & Distribution Plant	0.00%				
24	340 Trans. and Dist. Land	2.00%				
25	342 Storage Tanks	1.79%				
26	343 Trans. & Dist. Mainline	2.00%				
27	344 Fire Sprinkler Taps	2.39%				
28	345 Services	4.55%				
29	346 Meters	1.82%				
30	348 Hydrants					
31	Subtotal Trans. & Dist.					
32	General Plant	0.00%				
33	389 General Plant Land	2.50%				
34	390 General Plant Structures	n/a				
35	390.1 Leasehold Improvements	6.87%				
36	391 Office Furniture & Equipment	5.00%				
37	393 Warehouse Equipment	4.00%				
38	394 Tools, Shop & Garage Equip.	5.00%				
39	395 Laboratory Equipment	6.87%				
40	396 Power Operated Equipment	6.87%				
41	397 Communication Equipment	3.33%				
42	398 Miscellaneous Equipment					
43	Subtotal General Plant					
44	Total Utility Plant					
45	Accumulated Depreciation (112-Year Convention)					
46	Net Plant					
47						
48						
49						
50						
51						
52						
53						
54						
55						

\*Updated costs provided in response to Staff data request JMM 8, 1/18/10 data request 1, 30.

ARIZONA WATER COMPANY  
Test Year Ended December 31, 2011  
Settlement Rate Base Adjustment No. 1 (continued)  
Post-Test Year Plant True-Up

Line No.		Navajo (Continued)				Adjustment to Depreciation Expense
		(A) 1-4920 As Filled	(B) 1-4920 Actual Cost	(C) 1-4920 Increase / (Decrease)	(D)	
1	Intangible Plant					
2	301 Organization	0.00%	\$		\$	
3	302 Franchises	n/a				
4	303 Other Intangibles	n/a				
5	Subtotal Intangible Plant					
6	Source of Supply Plant					
7	310.1 Water Rights	0.00%				
8	310.3 Other Source of Supply Land	0.00%				
9	310.4 Wells - Other	n/a				
10	314 Wells	3.13%				
11	Subtotal Source of Sup. Plant					
12	Pumping Plant					
13	320 Pumping Plant Land	0.00%				
14	321 Pumping Plant Struct. & Improv.	2.86%				
15	325 Electric Pumping Equipment	5.88%				
16	328 Gas Engine Equipment	4.00%				
17	Subtotal Pumping Plant					
18	Water Treatment Plant					
19	330 Water Treatment Plant Land	0.00%				
20	331 Water Trtmt. Struct. & Improv.	2.50%				
21	332 Water Treatment Equipment	2.86%				
22	Subtotal Water Trtmt. Plant					
23	Transmission & Distribution Plant					
24	340 Trans. and Dist. Land	0.00%				
25	342 Storage Tanks	2.00%				
26	343 Trans. & Dist. Mains	1.79%				
27	344 Fire Sprinkler Taps	2.00%				
28	345 Services	2.38%				
29	346 Meters	4.65%				
30	348 Hydrants	1.82%				
31	Subtotal Trans. & Dist.					
32	General Plant					
33	389 General Plant Land	0.00%				
34	390 General Plant Structures	2.50%				
35	390.1 Leasehold Improvements	n/a				
36	391 Office Furniture & Equipment	6.67%				
37	393 Warehouse Equipment	5.00%				
38	394 Tools, Shop & Garage Equip.	4.00%				
39	395 Laboratory Equipment	5.00%				
40	396 Power Operated Equipment	6.97%				
41	397 Communication Equipment	6.67%				
42	398 Miscellaneous Equipment	3.33%				
43	Subtotal General Plant		70,000	4,286	286	
44	Total Utility Plant		70,000	4,286	286	
45	Accumulated Depreciation (1/2-Year Convention)		70,000	4,286	286	
46	Net Plant				143	
47					4,143	

\*Updated costs provided in response to Staff data request JMM 8.1/RUCO data request 1.30.

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ARIZONA WATER COMPANY  
Test Year Ended December 31, 2011  
Settlement Rate Base Adjustment No. 1 (continued)  
Post-Test Year Plant True-Up

Navajo (Continued)						
Line No.		Depreciation Rate	(A)	(B)	(C)	Adjustment to Depreciation Expense
			1-4923 As Filed	Work Authorization 1-4923 Actual Cost	1-4923 Increase / Decrease	
1	Intangible Plant	0.00%		\$		\$
2	301 Organization	n/a				
3	302 Franchises	n/a				
4	303 Other Intangibles			\$		\$
5	Subtotal Intangible Plant			\$		\$
6	Source of Supply Plant					
7	310.1 Water Rights	0.00%		25,334	25,334	
8	310.3 Other Source of Supply Land	0.00%				
9	310.4 Wells - Other	n/a				
10	314 Wells	3.13%		25,334	25,334	
11	Subtotal Source of Sup. Plant			\$		\$
12	Pumping Plant					
13	320 Pumping Plant Land	0.00%				
14	321 Pumping Plant Struct. & Improv.	2.86%				
15	325 Electric Pumping Equipment	5.88%				
16	328 Gas Engine Equipment	4.00%				
17	Subtotal Pumping Plant			\$		\$
18	Water Treatment Plant					
19	330 Water Treatment Plant Land	0.00%	50,000		(50,000)	258
20	331 Water Trmt. Struct. & Improv.	2.50%		10,321	10,321	113
21	332 Water Treatment Equipment	2.86%		3,954	3,954	371
22	Subtotal Water Trmt. Plant		\$	14,276	\$ (35,724)	
23	Transmission & Distribution Plant					
24	340 Trans. and Dist. Land	0.00%				
25	342 Storage Tanks	2.00%				
26	343 Trans. & Dist. Mains	1.78%				
27	344 Fire Sprinkler Taps	2.00%				
28	345 Services	2.38%				
29	346 Meters	4.55%				
30	348 Hydrants	1.82%				
31	Subtotal Trans. & Dist. Plant			\$		\$
32	General Plant					
33	389 General Plant Land	0.00%				
34	390 General Plant Structures	2.50%				
35	390.1 Leasehold Improvements	n/a				
36	391 Office Furniture & Equipment	6.87%				
37	393 Warehouse Equipment	5.00%				
38	394 Tools, Shop & Garage Equip.	4.00%				
39	395 Laboratory Equipment	5.00%				
40	396 Power Operated Equipment	6.87%				
41	397 Communication Equipment	6.87%				
42	398 Miscellaneous Equipment	3.33%				
43	Subtotal General Plant			\$		\$
44	Total Utility Plant		\$	39,509	\$ (10,391)	\$ 371
45	Accumulated Depreciation (1/2-Year Convention)					\$ 166
46						\$ (10,578)
47						
48						

\*Updated costs provided in response to Staff data request JMM 8.1/RUCO data request 1.30.

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Supporting Schedules:

ARIZONA WATER COMPANY  
Test Year Ended December 31, 2011  
Settlement Rate Base Adjustment No. 1 (continued)  
Post-Test Year Plant True-Up

Line No.	Description	Navajo (Continued)				Adjustment to Depreciation Expense
		(A) 1-4927 Filed	(B) Work Authorization 1-4927 Actual Cost	(C) 1-4927 Increase / (Decrease)	(D)	
1	Intangible Plant					
2	301 Organization	0.00%				
3	302 Franchises	n/a				
4	303 Other Intangibles	n/a				
5	Subtotal Intangible Plant					
6	Source of Supply Plant					
7	310.1 Water Rights	0.00%				
8	310.3 Other Source of Supply Land	0.00%				
9	310.4 Wells - Other	n/a				
10	314 Wells	3.13%				
11	Subtotal Source of Sup. Plant					
12	Pumping Plant					
13	320 Pumping Plant Land	0.00%				
14	321 Pumping Plant Struct. & Improv.	2.85%				
15	325 Electric Pumping Equipment	5.88%				
16	326 Gas Engine Equipment	4.00%				
17	Subtotal Pumping Plant					
18	Water Treatment Plant					
19	330 Water Treatment Plant Land	0.00%				
20	331 Water Treatm. Struct. & Improv.	2.50%				
21	332 Water Treatment Equipment	2.88%				
22	Subtotal Water Treatm. Plant					
23	Transmission & Distribution Plant					
24	340 Trans. and Dist. Land	0.00%				
25	342 Storage Tanks	2.00%	60,000	59,940	(60)	
26	343 Trans. & Dist. Mains	1.75%				
27	344 Fire Sprinkler Taps	2.00%		140	140	
28	345 Services	2.38%				
29	346 Meters	4.55%				
30	348 Hydrants	1.82%	60,000	59,980	(20)	
31	Subtotal Trans. & Dist.					
32	General Plant	0.00%				
33	389 General Plant Land	2.50%				
34	390 General Plant Structures	n/a				
35	390.1 Leasehold Improvements	6.87%				
36	391 Office Furniture & Equipment	5.00%				
37	393 Warehouse Equipment	4.00%				
38	384 Tools, Shop & Garage Equip.	5.00%				
39	395 Laboratory Equipment	6.67%				
40	396 Power Operated Equipment	6.67%				
41	397 Communication Equipment	3.33%				
42	398 Miscellaneous Equipment					
43	Subtotal General Plant					
44	Total Utility Plant		60,000	59,980	(20)	
45	Accumulated Depreciation (1/2-Year Convention)					
46	Net Plant					
47						
48						
49						
50						
51						
52						
53						
54						
55						

\*Updated costs provided in response to Staff data request JMM 6/1/10UCO data request 1.30.

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ARIZONA WATER COMPANY  
Test Year Ended December 31, 2011  
Settlement Rate Base Adjustment No. 1 (continued)  
Post-Test Year Plant True-Up

Line No.		(A) Total As Filed	(B) Work Authorization Total Actual Cost	(C) Navajo - Total Increase / (Decrease)	(D) Total Adjust to Depreciation Expense
1	Intangible Plant				
2	301 Organization	0.00%	\$ -	\$ -	\$ -
3	302 Franchises	n/a	\$ -	\$ -	\$ -
4	303 Other Intangibles	n/a	\$ -	\$ -	\$ -
5	Subtotal Intangible Plant				
6	Source of Supply Plant				
7	310.1 Water Rights	0.00%	25,334	25,334	2,889
8	310.3 Other Source of Supply Land	0.00%	141,574	91,574	2,888
9	310.4 Wells - Other	3.13%	50,000	168,808	\$ -
10	314 Wells		50,000	116,508	
11	Subtotal Source of Sup. Plant				
12	Pumping Plant				
13	320 Pumping Plant Land	0.00%	\$ -	\$ -	3,953
14	321 Pumping Plant Struct. & Improv.	2.86%	40,000	107,225	3,953
15	325 Electric Pumping Equipment	5.86%			
16	326 Gas Engine Equipment	4.00%	40,000	107,225	288
17	Subtotal Pumping Plant				
18	Water Treatment Plant				
19	330 Water Treatment Plant Land	0.00%	50,000	10,321	113
20	331 Water Treat. Struct. & Improv.	2.50%		3,954	371
21	332 Water Treatment Equipment	2.86%	50,000	14,278	
22	Subtotal Water Treat. Plant				
23	Transmission & Distribution Plant				
24	340 Trans. and Dist. Land	0.00%	\$ -	\$ -	(94)
25	342 Storage Tanks	2.00%	89,482	94,211	3,062
26	343 Trans. & Dist. Mains	1.75%			(2,275)
27	344 Fire Sprinkler Taps	2.00%	499	130,398	
28	345 Services	2.38%	50,000	(50,000)	722
29	346 Meters	4.55%			
30	348 Hydrants	1.82%	149,581	224,608	
31	Subtotal Trans. & Dist.				
32	General Plant				
33	369 General Plant Land	0.00%	\$ -	\$ -	\$ -
34	390 General Plant Structures	2.50%	\$ -	\$ -	\$ -
35	390.1 Leasehold Improvements	n/a	\$ -	\$ -	\$ -
36	391 Office Furniture & Equipment	6.67%	\$ -	\$ -	\$ -
37	393 Warehouse Equipment	5.00%	\$ -	\$ -	\$ -
38	394 Tools, Shop & Garage Equip.	4.00%	\$ -	\$ -	\$ -
39	395 Laboratory Equipment	5.00%	\$ -	\$ -	2,303
40	396 Power Operated Equipment	8.67%	217,891	252,424	2,303
41	397 Communication Equipment	8.67%			\$ -
42	398 Miscellaneous Equipment	3.33%	217,891	252,424	10,218
43	Subtotal General Plant				
44	Total Utility Plant		\$ 507,872	\$ 765,140	\$ 5,108
45	Accumulated Depreciation (12-Year Convention)				\$ 252,460
46	Net Plant				

Updated costs provided in response to Staff data request JMM 6.1/RUCO data request 1.30.

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ARIZONA WATER COMPANY  
Test Year Ended December 31, 2011  
Settlement Rate Base Adjustment No. 1 (continued)  
Post-Test Year Plant True-Up

		Verde Valley			
Line No.	Description	(A) 1-4814 As Filed	(B) Work Authorization 1-4814 Actual Cost	(C) 1-4814 Increase / (Decrease)	(D) Adjustment to Depreciation Expense
		Depreciation Rate			
1	Intangible Plant	0.00%			
2	301 Organization	n/a			
3	302 Franchises	n/a			
4	303 Other Intangibles				
5	Subtotal Intangible Plant				
6	Source of Supply Plant	0.00%			
7	310.1 Water Rights	0.00%			
8	310.3 Other Source of Supply Land	0.00%			
9	310.4 Wells - Other	3.13%			
10	314 Wells				
11	Subtotal Source of Sup. Plant				
12	Pumping Plant	0.00%			
13	320 Pumping Plant Land	2.86%			
14	321 Pumping Plant Struct. & Improv.	5.86%			
15	325 Electric Pumping Equipment	4.00%			
16	326 Gas Engine Equipment				
17	Subtotal Pumping Plant				
18	Water Treatment Plant	0.00%			
19	330 Water Treatment Plant Land	2.50%			
20	331 Water Trmt. Struct. & Improv.	2.86%			
21	332 Water Treatment Equipment				
22	Subtotal Water Trmt. Plant				
23	Transmission & Distribution Plant	0.00%			
24	340 Trans. and Dist. Land	2.00%			
25	342 Storage Tanks	1.78%			
26	343 Trans. & Dist. Mains	2.00%			
27	344 Fire Sprinkler Taps	2.38%			
28	345 Services	4.56%			
29	346 Meters	1.82%			
30	Hydrants				
31	Subtotal Trans. & Dist.				
32	General Plant	0.00%			
33	389 General Plant Land	2.50%			
34	390 General Plant Structures	n/a			
35	390.1 Leasehold Improvements	6.87%			
36	391 Office Furniture & Equipment	5.00%			
37	393 Warehouses Equipment	4.00%			
38	394 Tools, Shop & Garage Equip.	5.00%			
39	395 Laboratory Equipment	6.87%			
40	396 Power Operated Equipment	6.87%			
41	397 Communication Equipment	3.33%			
42	398 Miscellaneous Equipment				
43	Subtotal General Plant				
44	Total Utility Plant				
45	Accumulated Depreciation (11/2-Year Convention)				
46	Net Plant				
47					
48					
49					
50					
51					
52					
53					
54					
55					

\*Updated costs provided in response to Staff data request JMM 8-1/1RUCO data request 1.30.

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Supporting Schedules:

ARIZONA WATER COMPANY  
Test Year Ended December 31, 2011  
Settlement Rate Base Adjustment No. 1 (continued)  
Post-Test Year Plant True-Up

Verde Valley (Continued)					
Line No.	Description	(A)		(C)	
		1-4873 As Filed	Work Authorization 1-4873 Actual Cost	1-4873 Increase / (Decrease)	Adjusted to Depreciation Expense
1	Intangible Plant				
2	301 Organization	0.00%	\$	-	\$
3	302 Franchises	n/a		-	
4	303 Other Intangibles				
5	Subtotal Intangible Plant		\$	-	\$
6	Source of Supply Plant				
7	310.1 Water Rights	0.00%		-	
8	310.3 Other Source of Supply Land	0.00%		-	
9	310.4 Wells - Other	n/a		-	
10	314 Wells	3.13%		-	
11	Subtotal Source of Sup. Plant		\$	-	\$
12	Pumping Plant				
13	320 Pumping Plant Land	0.00%		-	
14	321 Pumping Plant Struct. & Improv.	2.86%		-	
15	325 Electric Pumping Equipment	5.88%		-	
16	328 Gas Engine Equipment	4.00%		-	
17	Subtotal Pumping Plant		\$	-	\$
18	Water Treatment Plant				
19	330 Water Treatment Plant Land	0.00%		-	
20	331 Water Trmt. Struct. & Improv.	2.50%		-	
21	332 Water Treatment Equipment	2.86%	445,986	424,451 (21,535)	(618)
22	Subtotal Water Trmt. Plant		\$ 445,986	\$ 424,451 (21,535)	\$ (618)
23	Transmission & Distribution Plant				
24	340 Trans. and Dist. Land	0.00%		-	
25	342 Storage Tanks	2.00%		-	
26	343 Trans. & Dist. Mains	1.79%		-	
27	344 Fire Sprinkler Taps	2.00%		-	
28	345 Services	2.38%		-	
29	348 Meters	4.58%		-	
30	348 Hydrants	1.82%		-	
31	Subtotal Trans. & Dist.		\$	-	\$
32	General Plant				
33	380 General Plant Land	0.00%		-	
34	380 General Plant Structures	2.50%		-	
35	390.1 Leasehold Improvements	n/a		-	
36	391 Office Furniture & Equipment	6.67%		-	
37	393 Warehouse Equipment	5.00%		-	
38	394 Tools, Shop & Garage Equip.	4.00%		-	
39	395 Laboratory Equipment	5.00%		-	
40	396 Power Operated Equipment	6.67%		-	
41	397 Communication Equipment	6.67%		-	
42	398 Miscellaneous Equipment	3.33%		-	
43	Subtotal General Plant		\$	-	\$
44	Total Utility Plant		\$ 745,986	\$ 424,451 (21,535)	\$ (618)
45	Accumulated Depreciation (1/2-Year Convention)				\$ (308)
46	Net Plant				\$ (21,227)

\*Updated costs provided in response to Staff data request JMM 6/1/UCO data request 1.30.

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Supporting Schedules:

ARIZONA WATER COMPANY  
Test Year Ended December 31, 2011  
Settlement Rate Base Adjustment No. 1 (continued)  
Post-Test Year Plant True-Up

Verde Valley (Continued)					
Line No.		Depreciation Rate	[A]	[B]	[C]
			1-4874 As Elled	Work Authorization 1-4874 Actual Cost	1-4874 Increase / (Decrease)
1	Intangible Plant	0.00%			
2	301 Organization	n/a			
3	302 Franchises	n/a			
4	303 Other Intangibles				
5	Subtotal Intangible Plant				
6	Source of Supply Plant	0.00%			
7	310.1 Water Rights	0.00%			
8	310.3 Other Source of Supply Land	0.00%			
9	310.4 Wells - Other	n/a			
10	314 Wells	3.13%			
11	Subtotal Source of Sup. Plant				
12	Pumping Plant	0.00%			
13	320 Pumping Plant Land	2.88%			
14	321 Pumping Plant Struct. & Improv.	5.88%			
15	325 Electric Pumping Equipment	4.00%			
16	328 Gas Engine Equipment				
17	Subtotal Pumping Plant				
18	Water Treatment Plant	0.00%			
19	330 Water Treatment Plant Land	2.50%			
20	331 Water Trtmt. Struct. & Improv.	2.86%			
21	332 Water Treatment Equipment				
22	Subtotal Water Trtmt. Plant				
23	Transmission & Distribution Plant	0.00%			
24	340 Trans. and Dist. Land	2.00%			
25	342 Storage Tanks	1.79%			
26	343 Trans. & Dist. Mains	2.00%			
27	344 Fire Sprinkler Taps	2.38%			
28	345 Services	4.55%			
29	346 Meters	1.82%			
30	348 Hydrants				
31	Subtotal Trans. & Dist.				
32	General Plant	0.00%			
33	369 General Plant Land	2.50%			
34	390 General Plant Structures	n/a			
35	390.1 Leasehold Improvements	6.87%			
36	391 Office Furniture & Equipment	5.00%			
37	393 Warehouse Equipment	4.00%			
38	394 Tools, Shop & Garage Equip.	5.00%			
39	395 Laboratory Equipment	6.87%			
40	396 Power Operated Equipment	6.87%			
41	397 Communication Equipment	3.33%			
42	398 Miscellaneous Equipment				
43	Subtotal General Plant				
44	Total Utility Plant				
45	Accumulated Depreciation (1/2-Year Convention)				
46	Net Plant				
47					
48					
49					
50					
51					
52					
53					
54					
55					

Updated costs provided in responses to Staff data request JMM 6.1/UCO data request 1.30.

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Supporting Schedules:

ARIZONA WATER COMPANY  
Test Year Ended December 31, 2011  
Settlement Rate Base Adjustment No. 1 (continued)  
Post-Test Year Plant True-Up

Line No.		Verde Valley (Continued)					Adjustm't to Depreciation Expense
		(A) 1-4875 As Filed	(B) 1-4875 Actual Cost	(C) 1-4875 Increase / Decrease	(D) 1-4875 Actual Cost	(E) 1-4875 Increase / Decrease	
1	Intangible Plant						
2	301 Organization	0.00%					
3	302 Franchises	n/a					
4	303 Other Intangibles	n/a					
5	Subtotal Intangible Plant						
6	Source of Supply Plant						
7	310.1 Water Rights	0.00%					
8	310.3 Other Source of Supply Land	0.00%					
9	310.4 Wells - Other	n/a					
10	314 Wells	3.13%					
11	Subtotal Source of Sup. Plant						
12	Pumping Plant						
13	320 Pumping Plant Land	0.00%					
14	321 Pumping Plant Struct. & Improv.	2.86%					
15	325 Electric Pumping Equipment	5.88%					
16	328 Gas Engine Equipment	4.00%					
17	Subtotal Pumping Plant						
18	Water Treatment Plant						
19	330 Water Treatment Plant Land	0.00%					
20	331 Water Treat. Struct. & Improv.	2.50%					
21	332 Water Treatment Equipment	2.86%	588,322	571,433	(16,889)	(16,889)	(483)
22	Subtotal Water Treat. Plant		588,322	571,433	(16,889)	(16,889)	(483)
23	Transmission & Distribution Plant						
24	340 Trans. and Dist. Land	0.00%					
25	342 Storage Tanks	2.00%					
26	343 Trans. & Dist. Mains	1.79%					
27	344 Fire Sprinkler Taps	2.00%					
28	345 Services	2.38%					
29	346 Meters	4.55%					
30	348 Hydrants	1.82%					
31	Subtotal Trans. & Dist.						
32	General Plant						
33	389 General Plant Land	0.00%					
34	390 General Plant Structures	2.50%					
35	390.1 Leasehold Improvements	n/a					
36	391 Office Furniture & Equipment	6.87%					
37	393 Warehouse Equipment	5.00%					
38	394 Tools, Shop & Garage Equip.	4.00%					
39	395 Laboratory Equipment	5.00%					
40	396 Power Operated Equipment	6.87%					
41	397 Communication Equipment	6.87%					
42	398 Miscellaneous Equipment	3.33%					
43	Subtotal General Plant						
44	Total Utility Plant		588,322	571,433	(16,889)	(16,889)	(483)
45	Accumulated Depreciation (1/2-Year Convention)						
46							
47							
48	Net Plant						
49							
50							
51							
52							
53							
54							
55							

\*Updated costs provided in response to Staff data request JMM 6.1/RUCO data request 1.30.

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Supporting Schedules:

ARIZONA WATER COMPANY  
Test Year Ended December 31, 2011  
Settlement Rate Base Adjustment No. 1 (continued)  
Post-Test Year Plant True-Up

Verde Valley (Continued)						
	(A)	(B)	(C)	(D)		
	1-4928 As Filed	1-4928 Actual Cost	1-4928 Increase / (Decrease)		Adjustment to Depreciation Expense	
Intangible Plant						
301 Organization	0.00%		\$		\$	
302 Franchises	n/a					
303 Other Intangibles	n/a					
Subtotal Intangible Plant		\$	\$		\$	
Source of Supply Plant						
310.1 Water Rights	0.00%					
310.3 Other Source of Supply Land	0.00%					
310.4 Wells - Other	n/a					
314 Wells	3.13%				\$	
Subtotal Source of Sup. Plant		\$	\$		\$	
Pumping Plant						
320 Pumping Plant Land	0.00%					
321 Pumping Plant Struct. & Improv.	2.86%					
325 Electric Pumping Equipment	5.86%					
328 Gas Engine Equipment	4.00%				\$	
Subtotal Pumping Plant		\$	\$		\$	
Water Treatment Plant						
330 Water Treatment Plant Land	0.00%					
331 Water Trmt. Struct. & Improv.	2.50%					
332 Water Treatment Equipment	2.86%				\$	
Subtotal Water Trmt. Plant		\$	\$		\$	
Transmission & Distribution Plant						
340 Trans. and Dist. Land	0.00%					
342 Storage Tanks	2.00%					
343 Trans. & Dist. Mains	1.79%	75,000	66,891	(8,109)	(145)	
344 Fire Sprinkler Taps	2.00%					
345 Services	2.38%					
346 Meters	4.55%					
348 Hydrants	1.62%					
Subtotal Trans. & Dist.		75,000	66,891	(8,109)	(145)	
General Plant						
389 General Plant Land	0.00%					
390 General Plant Structures	2.50%					
390.1 Leasehold Improvements	n/a					
391 Office Furniture & Equipment	8.67%					
393 Warehouse Equipment	5.00%					
384 Tools, Shop & Garage Equip.	4.00%					
395 Laboratory Equipment	5.00%					
396 Power Operated Equipment	6.87%					
397 Communication Equipment	8.67%					
398 Miscellaneous Equipment	9.33%					
Subtotal General Plant		\$	\$		\$	
Total Utility Plant		75,000	66,891	(8,109)	(145)	
Accumulated Depreciation (1/2-Year Convention)					\$	(73)
Net Plant					\$	(8,037)

\*Updated costs provided in response to Staff data request JMM 8.1/RUCO data request 1.30.

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Supporting Schedules:

ARIZONA WATER COMPANY  
Test Year Ended December 31, 2011  
Settlement Rate Base Adjustment No. 1 (continued)  
Post-Test Year Plant True-Up

Line No.		Verde Valley (Continued)				Adjunct to Depreciation Expense
		(A) 1-4929 Filed	(B) Work Authorization 1-4929 Actual Cost	(C) 1-4929 Increase / Decrease	(D)	
1	Intangible Plant					
2	301 Organization	0.00%	\$			\$
3	302 Franchises	n/a				
4	303 Other Intangibles	n/a				
5	Subtotal Intangible Plant					
6	Source of Supply Plant					
7	310.1 Water Rights	0.00%				
8	310.3 Other Source of Supply Land	0.00%				
9	310.4 Wells - Other	n/a				
10	314 Wells	3.13%				
11	Subtotal Source of Sup. Plant					
12	Pumping Plant					
13	320 Pumping Plant Land	0.00%				
14	321 Pumping Plant Struct. & Improv.	2.86%				
15	325 Electric Pumping Equipment	5.88%				
16	325 Electric Pumping Equipment	4.00%				
17	328 Gas Engine Equipment					
18	Subtotal Pumping Plant					
19	Water Treatment Plant					
20	330 Water Treatment Plant Land	0.00%				
21	331 Water Treat. Struct. & Improv.	2.50%				
22	332 Water Treatment Equipment	2.86%				
23	Subtotal Water Treat. Plant					
24	Transmission & Distribution Plant					
25	340 Trans. and Dist. Land	0.00%				
26	342 Storage Tanks	2.00%				
27	342 Tank & Dist. Main	1.79%				
28	344 Fire Sprinkler Taps	2.00%				
29	345 Services	2.38%	205,800	195,537	(10,263)	(244)
30	346 Meters	4.55%				
31	348 Hydrants	1.82%				
32	Subtotal Trans. & Dist.		\$ 205,800	\$ 195,537	\$ (10,263)	\$ (244)
33	General Plant					
34	389 General Plant Land	0.00%				
35	390 General Plant Structures	2.50%				
36	380.1 Leasehold Improvements	n/a				
37	391 Office Furniture & Equipment	6.67%				
38	393 Warehouse Equipment	5.00%				
39	394 Tools, Shop & Garage Equip.	4.00%				
40	395 Laboratory Equipment	5.00%				
41	396 Power Operated Equipment	6.67%				
42	397 Communication Equipment	6.67%				
43	398 Miscellaneous Equipment	3.33%				
44	Subtotal General Plant					
45	Total Utility Plant		\$ 205,800	\$ 195,537	\$ (10,263)	\$ (244)
46	Accumulated Depreciation (1/2-Year Convention)					\$ (122)
47	Net Plant					\$ (10,141)

\*Updated costs provided in response to Staff data request JMM 8.1/RUCO data request 1.30.

Supporting Schedules:

ARIZONA WATER COMPANY  
Test Year Ended December 31, 2011  
Settlement Rate Base Adjustment No. 1 (continued)  
Post-Test Year Plant True-Up

Line No.		Verde Valley (Continued)				Adjustmt to Depreciation Expense
		(A) 1-4930 As Filed	(B) 1-4930 Actual Cost	(C) 1-4930 Increase / (Decrease)	(D)	
1	Intangible Plant					
2	301 Organization	0.00%				
3	302 Franchises	n/a				
4	303 Other Intangibles	n/a				
5	Subtotal Intangible Plant					
6	Sources of Supply Plant					
7	310.1 Water Rights	0.00%				
8	310.3 Other Sources of Supply Land	0.00%				
9	310.4 Wells - Other	n/a				
10	314 Wells	3.13%				
11	Subtotal Sources of Sup. Plant					
12	Pumping Plant					
13	320 Pumping Plant Land	0.00%				
14	321 Pumping Plant Struct. & Improv.	2.86%				
15	325 Electric Pumping Equipment	5.86%				
16	328 Gas Engine Equipment	4.00%				
17	Subtotal Pumping Plant					
18	Water Treatment Plant					
19	330 Water Treatment Plant Land	0.00%				
20	331 Water Trtmt. Struct. & Improv.	2.50%				
21	332 Water Treatment Equipment	2.68%				
22	Subtotal Water Trtmt. Plant					
23	Transmission & Distribution Plant					
24	340 Trans. and Dist. Land	0.00%				
25	342 Storage Tanks	2.00%	60,543	55,415	(5,128)	(92)
26	343 Trans. & Dist. Mains	1.78%				
27	344 Fire Sprinkler Taps	2.00%	49,847	61,718	12,069	267
28	345 Services	2.38%				
29	346 Meters	4.55%				
30	348 Hydrants	1.82%				
31	Subtotal Trans. & Dist.		110,190	117,130	6,940	185
32	General Plant					
33	389 General Plant Land	0.00%				
34	390 General Plant Structures	2.50%				
35	390.1 Leasehold Improvements	n/a				
36	391 Office Furniture & Equipment	6.67%				
37	393 Warehouse Equipment	5.00%				
38	394 Tools, Shop & Garage Equip.	4.00%				
39	395 Laboratory Equipment	5.00%				
40	396 Power Operated Equipment	6.67%				
41	397 Communication Equipment	6.67%				
42	398 Miscellaneous Equipment	3.33%				
43	Subtotal General Plant					
44	Total Utility Plant		110,190	117,130	6,940	185
45	Accumulated Depreciation (1/2-Year Convention)					98
46	Net Plant					6,843

\*Updated costs provided in response to Staff data request JMM 6.1/RUCO data request 1.30.

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Supporting Schedules:

ARIZONA WATER COMPANY  
Test Year Ended December 31, 2011  
Settlement Rate Base Adjustment No. 1 (continued)  
Post-Test Year Plant True-Up

Verde Valley (Continued)				
Line No.	(A) 1-4931 As Filed	(B) Work Authorization 1-4931 Actual Cost	(C) Increase / (Decrease)	(D) Adjustment to Depreciation Expense
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\*Updated costs provided in response to Staff data request JMM 6.1/UCO data request 1.30.

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Supporting Schedules:

ARIZONA WATER COMPANY  
Test Year Ended December 31, 2011  
Settlement Rate Base Adjustment No. 1 (continued)  
Post-Test Year Plant True-Up

Line No.	Description	Verde Valley (Continued)				Adjustment to Depreciation Expense
		(A) 1-4932 As Filed	(B) Work Authorization 1-4932 Actual Cost	(C) 1-4932 Increase / (Decrease)	(D)	
1	Intangible Plant					
2	301 Organization	0.00%	\$	\$		\$
3	302 Franchises	n/a				
4	303 Other Intangibles	n/a				
5	Subtotal Intangible Plant		\$	\$		\$
6	Source of Supply Plant					
7	310.1 Water Rights	0.00%				
8	310.3 Other Source of Supply Land	0.00%				
9	310.4 Wells - Other	n/a				
10	314 Wells	3.13%				\$
11	Subtotal Source of Sup. Plant		\$	\$		\$
12	Pumping Plant					
13	320 Pumping Plant Land	0.00%				
14	321 Pumping Plant Struct. & Improv.	2.86%				
15	325 Electric Pumping Equipment	5.88%				
16	326 Gas Engine Equipment	4.00%				
17	Subtotal Pumping Plant		\$	\$		\$
18	Water Treatment Plant					
19	330 Water Treatment Plant Land	0.00%				
20	331 Water Trtmt. Struct. & Improv.	2.50%				
21	332 Water Treatment Equipment	2.86%				\$
22	Subtotal Water Trtmt. Plant		\$	\$		\$
23	Transmission & Distribution Plant					
24	340 Trans. and Dist. Land	0.00%				
25	342 Storage Tanks	2.00%				
26	343 Trans. & Dist. Main	1.79%				
27	344 Fire Sprinkler Taps	2.00%				
28	345 Services	2.38%				
29	346 Meters	4.55%				
30	Hydrants	1.82%				\$
31	Subtotal Trans. & Dist.		\$	\$		\$
32	General Plant					
33	389 General Plant Land	0.00%				
34	390 General Plant Structures	2.50%				
35	390.1 Leasehold Improvements	n/a				
36	391 Office Furniture & Equipment	6.67%				
37	393 Warehouse Equipment	5.00%				
38	394 Tools, Shop & Garage Equip.	4.00%				
39	395 Laboratory Equipment	5.00%				
40	396 Power Operated Equipment	6.67%	164,286	172,699	8,413	561
41	397 Communication Equipment	6.67%				
42	398 Miscellaneous Equipment	3.33%				
43	Subtotal General Plant		\$ 164,286	\$ 172,699	\$ 8,413	\$ 561
44	Total Utility Plant		\$ 164,286	\$ 172,699	\$ 8,413	\$ 561
45	Accumulated Depreciation (1/2-Year Convention)					\$ 281
46	Net Plant					\$ 8,132

\*Updated costs provided in response to Staff data request JMM 6.1/UCO data request 1.30.

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Supporting Schedules:

ARIZONA WATER COMPANY  
Test Year Ended December 31, 2011  
Settlement Rate Base Adjustment No. 1 (continued)  
Post-Test Year Plant True-Up

		Verde Valley - Total				
		(A)	(B)	(C)	(D)	
		Total As Filed	Work Authorization Total Actual Cost	Total Increase / (Decrease)	Total Adjustment to Depreciation Expense	
Line No.		Depreciation Rate				
1	Intangible Plant	0.00%	\$ -	\$ -	-	\$ -
2	301 Organization	n/a	-	-	-	-
3	302 Franchises	n/a	-	-	-	-
4	303 Other Intangibles		\$ -	\$ -	-	\$ -
5	Subtotal Intangible Plant					
6	Source of Supply Plant	0.00%	-	-	-	-
7	310.1 Water Rights	0.00%	-	-	-	-
8	310.3 Other Source of Supply Land	0.00%	-	-	-	-
9	310.4 Wells - Other	n/a	-	-	-	-
10	314 Wells	3.13%	-	\$ -	-	\$ -
11	Subtotal Source of Sup. Plant					
12	Pumping Plant	0.00%	-	-	-	-
13	320 Pumping Plant Land	2.66%	-	-	-	-
14	321 Pumping Plant Struct. & Improv.	5.88%	-	-	-	-
15	325 Electric Pumping Equipment	4.00%	-	-	-	-
16	328 Gas Engine Equipment		\$ -	\$ -	-	\$ -
17	Subtotal Pumping Plant					
18	Water Treatment Plant	0.00%	-	-	-	-
19	330 Water Treatment Plant Land	2.50%	-	-	-	-
20	331 Water Trtmt. Struct. & Improv.	2.86%	2,920,788	2,922,321	1,533	44
21	332 Water Treatment Equipment		\$ 2,920,788	\$ 2,922,321	\$ 1,533	\$ 44
22	Subtotal Water Trtmt. Plant					
23	Transmission & Distribution Plant	0.00%	-	-	-	-
24	340 Trans. and Dist. Land	2.00%	-	-	-	-
25	342 Storage Tanks	1.79%	193,016	182,522	(10,494)	(188)
26	343 Trans. & Dist. Mains	2.00%	-	-	-	-
27	344 Fire Sprinkler Taps	2.38%	262,845	264,287	1,342	32
28	345 Services	4.55%	-	-	-	-
29	346 Meters	1.82%	-	-	-	-
30	348 Hydrants		\$ 455,561	\$ 446,510	\$ (9,151)	\$ (156)
31	Subtotal Trans. & Dist.					
32	General Plant	0.00%	-	-	-	-
33	389 General Plant Land	2.50%	-	-	-	-
34	390 General Plant Structures	n/a	-	-	-	-
35	390.1 Leasehold Improvements	6.67%	-	-	-	-
36	391 Office Furniture & Equipment	5.00%	-	-	-	-
37	393 Warehouse Equipment	4.00%	-	-	-	-
38	394 Tools, Shop & Garage Equip.	5.00%	-	-	-	-
39	395 Laboratory Equipment	6.67%	-	-	-	-
40	396 Power Operated Equipment	6.67%	164,285	172,899	8,413	561
41	397 Communication Equipment	3.33%	-	-	-	-
42	398 Miscellaneous Equipment		\$ 164,285	\$ 172,899	\$ 8,413	\$ 561
43	Subtotal General Plant					
44	Total Utility Plant		\$ 3,541,035	\$ 3,541,830	\$ 785	\$ 225
45	Accumulated Depreciation (1/2-Year Convention)					\$ 570

\*Updated costs provided in response to Staff data request JMM 6.1RUOCO data request 1.30.

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ARIZONA WATER COMPANY  
Test Year Ended December 31, 2011  
Settlement Rate Base Adjustment No. 1 (continued)  
Post-Test Year Plant True-Up

Line No.	Description	Phoenix Office				Depreciation Rate	Work Authorization		Adjustment to Depreciation Expense
		(A) 1-4933 As Filed	(B) 1-4933 Actual Cost	(C) 1-4933 Increase / (Decrease)	(D) 1-4933 Increase / (Decrease)				
1	Intangible Plant					0.00%			
2	301 Organization					n/a			
3	302 Franchise					n/a			
4	303 Other Intangibles								
5	Subtotal Intangible Plant								
6	Source of Supply Plant								
7	310.1 Water Rights					0.00%			
8	310.3 Other Source of Supply Land					0.00%			
9	310.4 Wells - Other					n/a			
10	314 Wells					3.13%			
11	Subtotal Source of Sup. Plant								
12	Pumping Plant								
13	320 Pumping Plant Land					0.00%			
14	321 Pumping Plant Struct. & Improv.					2.86%			
15	325 Electric Pumping Equipment					5.88%			
16	328 Gas Engine Equipment					4.00%			
17	Subtotal Pumping Plant								
18	Water Treatment Plant								
19	330 Water Treatment Plant Land					0.00%			
20	331 Water Trmt. Struct. & Improv.					2.50%			
21	332 Water Treatment Equipment					2.86%			
22	Subtotal Water Trmt. Plant								
23	Transmission & Distribution Plant								
24	340 Trans. and Dist. Land					0.00%			
25	342 Storage Tanks					2.00%			
26	343 Trans. & Dist. Mains					1.79%			
27	344 Fire Sprinkler Taps					2.00%			
28	345 Services					2.38%			
29	346 Meters					4.55%			
30	348 Hydrants					1.82%			
31	Subtotal Trans. & Dist.								
32	General Plant								
33	389 General Plant Land					0.00%			
34	390 General Plant Structures					2.50%			
35	390.1 Leasehold Improvements					n/a			
36	391 Office Furniture & Equipment					6.67%			
37	393 Warehouse Equipment					5.00%			
38	394 Tools, Shop & Garage Equip.					4.00%			
39	395 Laboratory Equipment					5.00%			
40	396 Power Operated Equipment					6.67%			
41	397 Communication Equipment					6.67%			
42	398 Miscellaneous Equipment					3.33%			
43	Subtotal General Plant								
44	Total Utility Plant								
45	Accumulated Depreciation (1/2-Year Convention)								
46	Net Plant								

\*Updated costs provided in responses to Staff data request JMM 8.1/RUCO data request 1.30.

Supporting Schedules:

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ARIZONA WATER COMPANY  
Test Year Ended December 31, 2011  
Settlement Rate Base Adjustment No. 1 (continued)  
Post-Test Year Plant True-Up

Phoenix Office (Continued)					
Line No.	Description	Depreciation Rate	(A)		(D) Adjustment to Depreciation Expense
			1-4934 As Filed	Work Authorization 1-4934 Actual Cost	
1	Intangible Plant	0.00%			
2	301 Organization	n/a			
3	302 Franchises	n/a			
4	303 Other Intangibles				
5	Subtotal Intangible Plant				
6	Source of Supply Plant	0.00%			
7	310.1 Water Rights	0.00%			
8	310.3 Other Source of Supply Land	n/a			
9	310.4 Wells - Other	3.13%			
10	314 Wells				
11	Subtotal Source of Sup. Plant				
12	Pumping Plant	0.00%			
13	320 Pumping Plant Land	2.86%			
14	321 Pumping Plant Struct. & Improv.	5.86%			
15	325 Electric Pumping Equipment	4.00%			
16	328 Gas Engine Equipment				
17	Subtotal Pumping Plant				
18	Water Treatment Plant	0.00%			
19	330 Water Treatment Plant Land	2.50%			
20	331 Water Trmt. Struct. & Improv.	2.88%			
21	332 Water Treatment Equipment				
22	Subtotal Water Trmt. Plant				
23	Transmission & Distribution Plant	0.00%			
24	340 Trans. and Dist. Land	2.00%			
25	342 Storage Tanks	1.79%			
26	343 Trans. & Dist. Main	2.00%			
27	344 Fire Sprinkler Taps	2.38%			
28	345 Services	4.55%			
29	346 Meters	1.82%			
30	348 Hydrants				
31	Subtotal Trans. & Dist. Plant				
32	General Plant	0.00%			
33	390 General Plant Land	2.50%			
34	390 General Plant Structures	n/a			
35	390.1 Leasehold Improvements	6.87%			
36	391 Office Furniture & Equipment	5.00%			
37	393 Warehouse Equipment	4.00%			
38	394 Tools, Shop & Garage Equip.	6.00%			
39	395 Laboratory Equipment	6.67%			
40	396 Power Operated Equipment	6.67%			
41	397 Communication Equipment	3.33%			
42	398 Miscellaneous Equipment				
43	Subtotal General Plant				
44	Total Utility Plant				
45	Accumulated Depreciation (1/2-Year Convention)				
46	Net Plant				
47					
48					
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53					
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55					

\*Updated costs provided in response to Staff data request JMM 8/1/10UCO data request 1.30.

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Supporting Schedules:

ARIZONA WATER COMPANY  
Test Year Ended December 31, 2011  
Settlement Rate Base Adjustment No. 1 (continued)  
Post-Test Year Plant True-Up

Line No.	Description	Pleasant Office - Total				Depreciation Rate	(A)			(B)			(C)			(D)		
		Total	As Elapsed	Actual Cost	Total Increase / (Decrease)		Total	As Elapsed	Actual Cost	Total Increase / (Decrease)	Total	As Elapsed	Actual Cost	Total Increase / (Decrease)	Total	As Elapsed	Actual Cost	Total Increase / (Decrease)
1	Intangible Plant																	
2	301 Organization					0.00%	\$		\$									
3	302 Franchises					n/a												
4	303 Other Intangibles					n/a												
5	Subtotal Intangible Plant																	
6	Source of Supply Plant																	
7	310.1 Water Rights					0.00%												
8	310.2 Other Sources of Supply Land					0.00%												
9	310.3 Wells - Other					n/a												
10	310.4 Wells					3.13%												
11	Subtotal Source of Sup. Plant																	
12	Pumping Plant																	
13	320 Pumping Plant Land					0.00%												
14	321 Pumping Plant Struct. & Improv.					2.86%												
15	322 Electric Pumping Equipment					5.88%												
16	323 Gas Engine Equipment					4.00%												
17	Subtotal Pumping Plant																	
18	Water Treatment Plant																	
19	330 Water Treatment Plant Land					0.00%												
20	331 Water Treatm. Struct. & Improv.					2.50%												
21	332 Water Treatment Equipment					2.86%												
22	Subtotal Water Treatm. Plant																	
23	Transmission & Distribution Plant																	
24	340 Trans. and Dist. Land					0.00%												
25	342 Storage Tanks					2.00%												
26	343 Trans. & Dist. Mains					1.79%												
27	344 Fire Sprinkler Taps					2.00%												
28	345 Services					2.38%												
29	346 Meters					4.55%												
30	348 Hydrants					1.82%												
31	Subtotal Trans. & Dist.																	
32	General Plant																	
33	389 General Plant Land					0.00%												
34	390 General Plant Structures					2.50%												
35	390.1 Leasehold Improvements					n/a												
36	391 Office Furniture & Equipment					6.67%												
37	393 Warehouse Equipment					5.00%												
38	394 Tools, Shop & Garage Equip.					4.00%												
39	395 Laboratory Equipment					5.00%												
40	396 Power Operated Equipment					6.87%												
41	397 Communication Equipment					6.87%												
42	398 Miscellaneous Equipment					3.33%												
43	Subtotal General Plant																	
44	Total Utility Plant																	
45	Accumulated Depreciation (1/2-Year Convention)																	
46	Net Plant																	

\*Updated costs provided in response to Staff data request JMM 6.1/UCO data request 1.30.

ARIZONA WATER COMPANY  
Test Year Ended December 31, 2011  
Settlement Rate Basis Adjustment No. 2  
Adopt Sluff Rate Basis Adjustment No. 2 (Remove Land Purchased for Arsenic Facility)

Line No.	Description	Depreciation Rate	Navajo	
			(A) Work Auth. 1-4923 As Filed	(B) Total Adjustment to Depreciation Expenses
1	Intangible Plant	0.00%	\$ -	\$ -
2	301 Organization	n/a	-	-
3	302 Franchises	n/a	-	-
4	303 Other Intangibles		-	-
5	Subtotal Intangible Plant		\$ -	\$ -
6	Source of Supply Plant	0.00%	-	-
7	310.1 Water Rights	0.00%	(25,334)	-
8	310.3 Other Source of Supply Land	0.00%	-	-
9	310.4 Wells - Other	n/a	-	-
10	314 Wells	3.13%	(25,334)	-
11	Subtotal Source of Sup. Plant		\$ (25,334)	\$ -
12	Pumping Plant	0.00%	-	-
13	320 Pumping Plant Land	2.86%	-	-
14	321 Pumping Plant Struct. & Improv.	5.88%	-	-
15	325 Electric Pumping Equipment	4.00%	-	-
16	325 Electric Pumping Equipment		-	-
17	328 Gas Engine Equipment		-	-
18	Subtotal Pumping Plant		\$ -	\$ -
19	Water Treatment Plant	0.00%	-	-
20	330 Water Treatment Plant Land	2.50%	-	-
21	331 Water Trtmt. Struct. & Improv.	2.86%	(3,954)	(113)
22	332 Water Treatment Equipment		(3,954)	(113)
23	Subtotal Water Trtmt. Plant		\$ -	\$ -
24	Transmission & Distribution Plant	0.00%	-	-
25	340 Trans. and Dist. Land	2.00%	-	-
26	342 Storage Tanks	1.78%	-	-
27	343 Trans. & Dist. Mains	2.00%	-	-
28	344 Fire Sprinkler Taps	2.38%	-	-
29	345 Services	4.55%	-	-
30	346 Meters	1.82%	-	-
31	348 Hydrants		-	-
32	Subtotal Trans. & Dist.		\$ -	\$ -
33	General Plant	0.00%	-	-
34	389 General Plant Land	2.50%	-	-
35	390 General Plant Structures	n/a	-	-
36	390.1 Leasehold Improvements	6.67%	-	-
37	391 Office Furniture & Equipment	5.00%	-	-
38	393 Warehouse Equipment	4.00%	-	-
39	384 Tools, Shop & Garage Equip.	5.00%	-	-
40	395 Laboratory Equipment	6.67%	-	-
41	398 Power Operated Equipment	6.67%	-	-
42	397 Communication Equipment	3.33%	-	-
43	398 Miscellaneous Equipment		-	-
44	Subtotal General Plant		\$ -	\$ -
45	Total Utility Plant		\$ (29,288)	\$ (113)
46	Accumulated Depreciation (1/2-Year Convention)		\$ -	\$ (57)
47	Net Plant		\$ -	\$ (29,231)

**ARIZONA WATER COMPANY**  
Test Year Ended December 31, 2011  
Settlement Rate Base Adjustment No. 3  
Adjust Working Cash to Reflect Rebuttal Expense Levels & Include Interest Expense

Line No.	System	Company Working Cash - As Filed	Company Working Cash - Settlement	Increase / (Decrease)
1				
2	Northern Group	\$ 84,216	\$ 10,562	\$ (73,634)
3	Navajo	111,380	(39,073)	(150,453)
4	Verde Valley			
5		\$ 195,597	\$ (28,490)	\$ (224,087)
6	Subtotal			
7		\$ 195,597	\$ (28,490)	\$ (224,087)
8	Total			
9				\$ (224,087)
10				
11	Increase/(Decrease) in Working Cash			
12				
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Supporting Schedules:

**ARIZONA WATER COMPANY**  
Test Year Ended December 31, 2011  
Settlement Rate Base Adjustment No. 4  
Allocate Phoenix Office & Meter Shop Settlement Adjustments

Northern Group			
(A)	(B)	(C)	
Test Year Adjusted	Navajo	Verde Valley	
	0.0943	0.1252	
3-Factor Allocation Ratio			
<b>Phoenix Office</b>			
Plant Classification			
Intangible Plant	\$ -	\$ -	\$ -
Source of Supply Plant	\$ -	\$ -	\$ -
Pumping Plant	\$ -	\$ -	\$ -
Water Treatment Plant	\$ -	\$ -	\$ -
Transmission & Distribution Plant	\$ -	\$ -	\$ -
General Plant	(1,286)	(121)	(181)
Total Gross Plant In Service	(1,286)	(121)	(181)
Less:			
Accumulated Depreciation	(101)	(10)	(13)
Net Plant In Service	(1,185)	(112)	(148)
Less: Deferred Income Tax			
Total Rate Base	(1,185)	(112)	(148)

<b>Meter Shop</b>			
Plant Classification			
Intangible Plant	\$ -	\$ -	\$ -
Source of Supply Plant	\$ -	\$ -	\$ -
Pumping Plant	\$ -	\$ -	\$ -
Water Treatment Plant	\$ -	\$ -	\$ -
Transmission & Distribution Plant	\$ -	\$ -	\$ -
General Plant	\$ -	\$ -	\$ -
Total Gross Plant In Service	\$ -	\$ -	\$ -
Less:			
Accumulated Depreciation	\$ -	\$ -	\$ -
Net Plant In Service	\$ -	\$ -	\$ -
Total Rate Base	\$ -	\$ -	\$ -

<b>Total Phoenix Office &amp; Meter Shop</b>			
Plant Classification			
Intangible Plant	\$ -	\$ -	\$ -
Source of Supply Plant	\$ -	\$ -	\$ -
Pumping Plant	\$ -	\$ -	\$ -
Water Treatment Plant	\$ -	\$ -	\$ -
Transmission & Distribution Plant	\$ -	\$ -	\$ -
General Plant	(1,286)	(121)	(181)
Total Gross Plant In Service	(1,286)	(121)	(181)
Less:			
Accumulated Depreciation	(101)	(10)	(13)
Net Plant In Service	(1,185)	(112)	(148)
Less: Deferred Income Tax			
Total Rate Base	(1,185)	(112)	(148)

Line No. 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52 53 54 55

**ARIZONA WATER COMPANY**  
Test Year Ended December 31, 2011  
Computation of Working Capital

		Northern Group		
Line No.		(A)	(B)	(C)
		Company - As Filed Working Capital	Settlement Adjustments	Settlement Working Capital
1				
2	Working Cash Requirement			
3	(Sch. B-5 Rebuttal Appendix)			
4		\$ 195,597	\$ (224,087)	\$ (28,490)
5				
6	Material and Supplies Inventories <sup>1</sup>	88,158	-	88,158
7				
8	Required Bank Balances <sup>1</sup>	231,729	-	231,729
9				
10	Prepayments & Special Deposits <sup>1</sup>	570,818	-	570,818
11				
12	Total Working Capital Allowance	\$ 1,086,298	\$ (224,087)	\$ 862,210

<sup>1</sup>13-month average balances

Supporting Schedules:  
Settlement B-5 Appendix

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**'13-month average balances :**

**Supporting Schedules:  
Settlement B-5 Appendix**

ARIZONA WAIVER  
Test Year Ended December 31, 2011  
Computation of Working Cash Requirement

[illegible]

2011 Actual lag days per AWC billing system.  
Dec. No. 64282 as amended by Dec. Nos. 66645  
& 68302. Purchased power lag days per  
Dec. No. 71645. Purchased water lag days  
are actual 2011.

Accounting Schedules:

DECISION NO

2011 Actual lag days per AWC billing system.  
Dec. No. 64282 as amended by Dec. Nos. 66849  
& 68302. Purchased power lag days  
Dec. No. 71845. Purchased water lag days  
are actual 2011.

### Recording Schedules:

ARIZONA WATER COMPANY  
Test Year Ended December 31, 2011  
Adjusted Test Year Income Statement

Line No.	Northern Group					Adjusted w/ Increase - Settlement
	(A) Test Year Ended 12/31/2011	(B) Pro Forma Adjustments - As Filed	(C) Adjusted Test Year - As Filed	(D) Settlement Adjustments	(E) Adjusted Test Year - Settlement	
Operating Revenues						
1 Residential	\$ 8,897,832	\$ (981,547)	\$ 7,916,285	\$ 131,954	\$ 8,068,239	
2 Commercial	2,221,794	(218,528)	2,003,266		2,003,266	
3 Industrial	3,594	638	4,231		4,231	
4 Private Fire Service	88,835	(7,019)	81,816		81,816	
5 Other Water Revenues	18,845	(1,545)	17,300		17,300	
6 Total Water Revenues	\$ 11,208,800	\$ (1,188,002)	\$ 10,020,798	\$ 131,954	\$ 10,152,752	
7 Miscellaneous	113,449	(8,831)	104,618		104,618	
8 Total Operating Revenues	\$ 11,322,249	\$ (1,197,833)	\$ 10,124,416	\$ 131,954	\$ 10,256,370	\$ 12,456,739
Operating Expenses						
9 Source of Supply Expenses:						
10 Purchased Water	610		610		610	610
11 Other	77,884	6,016	83,900	2,168	86,068	86,068
12 Pumping Expenses:						
13 Purchased Power	888,352		888,352		888,352	888,352
14 Purchased Gas	451		451		451	451
15 Other	392,753	33,841	328,912	30,219	359,131	359,131
16 Water Treatment Expenses	587,248	101,754	689,002	13,430	702,432	702,432
17 Transmission & Distribution Expenses	1,047,823	231,194	1,279,017	(74,927)	1,204,090	1,204,090
18 Customer Accounting Expenses	974,482	94,588	1,069,070		1,069,070	1,069,070
19 Sales Expense	2,058		2,058		2,058	2,058
20 Administrative & General Expenses	1,312,373	280,533	1,592,906	(78,378)	1,514,528	1,514,528
21 Depreciation & Amortization Expenses	5,288,034	748,385	6,036,419	(105,490)	5,930,929	5,930,929
22 Total Operating Expenses	\$ 15,888,548	\$ 150,254	\$ 16,038,802	\$ 10,508	\$ 16,049,310	\$ 18,560,307
23 Taxes						
24 Federal Income Taxes	707,353	(521,448)	185,907	62,548	248,455	248,455
25 State Income Taxes	105,071	(64,117)	40,954	13,778	54,732	54,732
26 Property Taxes	311,378	21,141	332,520	31,271	363,790	363,790
27 Other	1,182,083	(1,033,909)	148,174		148,174	148,174
28 Total Taxes	\$ 2,205,885	\$ (1,598,331)	\$ 607,554	\$ 107,697	\$ 715,251	\$ 715,251
29 Total Operating Expenses	\$ 18,094,433	\$ 1,500,000	\$ 19,594,433	\$ 12,812	\$ 19,607,245	\$ 19,607,245
30 Operating Income	\$ 2,227,816	\$ (497,842)	\$ 1,729,974	\$ 119,342	\$ 1,849,316	\$ 1,849,316
31 Other Income & Deductions:						
32 Interest:						
33 Long-Term Debt	1,148,444	55,729	1,204,173	(2,069)	1,202,103	1,202,103
34 Short-Term Debt	841	(841)				
35 Other	(83,728)	83,728				
36 Total Interest	\$ 1,065,557	\$ 138,616	\$ 1,204,173	\$ (2,069)	\$ 1,202,103	\$ 1,202,103
37 Other (Income) - Net	(68,908)	55,908				
38 Total Other (Income) & Deductions	\$ 1,096,649	\$ 194,524	\$ 1,291,173	\$ (2,069)	\$ 1,289,103	\$ 1,289,103
39 Net Income	\$ 1,054,213	\$ (633,384)	\$ 390,829	\$ 121,412	\$ 512,241	\$ 512,241

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Settlement C-1

ARIZONA WATER COMPANY  
Test Year Ended December 31, 2011  
Adjusted Test Year Income Statement

Line No.	W	(B)	(C)	(D)	(E)	(F)	(G)
	Test Year Ended 12/31/2011	Pro Forma Adjustments - As Filed	Adjusted Test Year - As Filed	Settlement Adjustments	Adjusted Test Year - Settlement	Required Increase - Settlement	Adjusted w/ Increase - Settlement
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**ARIZONA WATER COMPANY**  
Test Year Ended December 31, 2011  
Adjusted Test Year Income Statement

Line No.	Verde Valley (Settlement, Financial, Expenses)					
	(A)	(B)	(C)	(D)	(E)	(F)
	Test Year Ended 12/31/2011	Pro Forma Adjustments As Filed	Adjusted Test Year As Filed	Settlement Adjustments	Adjusted Test Year Settlement	Required Increase Settlement
						Adjusted w/ Increase Settlement
1	Operating Revenues					
2	Residential	\$ 5,641,864	\$ (671,269)	\$ 4,970,595	\$ 63,203	\$ 4,933,766
3	Commercial	1,735,981	(161,855)	1,544,126	-	1,544,126
4	Industrial	3,220	479	3,699	-	3,699
5	Private Fire Service	50,861	(5,812)	45,049	-	45,049
6	Other Water Revenues	5,347	(927)	4,420	-	4,420
7	Total Water Revenues	\$ 7,337,272	\$ (865,013)	\$ 6,468,259	\$ 63,203	\$ 6,531,462
8	Miscellaneous	61,784	(9,466)	51,317	-	51,317
9	Total Operating Revenues	\$ 7,405,056	\$ (874,479)	\$ 6,529,576	\$ 63,203	\$ 6,592,779
10						\$ 1,831,764
11						\$ 8,214,573
12	Operating Expenses					
13	Source of Supply Expenses:					
14	Purchased Water	39,801	5,137	45,038	885	45,923
15	Other	635,560	-	635,560	-	635,560
16	Pumping Expenses:					
17	Purchased Power	211,995	20,235	232,130	18,802	250,932
18	Purchased Gas	480,387	105,036	585,423	10,880	596,303
19	Other	605,975	142,806	748,581	(53,298)	695,283
20	Water Treatment Expenses	495,838	52,864	548,922	648,922	548,922
21	Transmission & Distribution Expenses	1,177	1,177	1,177	-	1,177
22	Customer Accounting Expenses	782,781	166,218	948,999	(43,266)	905,733
23	Sales Expense	3,273,284	492,218	3,765,502	(64,935)	3,700,567
24	Administrative & General Expenses	1,045,869	120,889	1,166,758	424	1,167,382
25	Operations & Maintenance Expense					
26	Depreciation & Amortization Expenses					
27	Taxes					
28	Federal Income Taxes	510,075	(375,261)	134,814	41,799	176,613
29	State Income Taxes	75,787	(46,069)	29,698	9,208	38,906
30	Property Taxes	176,818	36,928	212,747	2,059	214,806
31	Other	634,582	(751,590)	85,062	85,062	85,062
32	Total Taxes	\$ 1,586,242	\$ (1,135,902)	\$ 450,341	\$ 153,066	\$ 603,407
33	Total Operating Expenses	\$ 9,317,495	\$ (2,226,994)	\$ 7,090,501	\$ (11,245)	\$ 7,079,256
34	Operating Income	\$ 1,487,561	\$ (352,789)	\$ 1,134,771	\$ 7,948	\$ 1,203,429
35						\$ 581,885
36						\$ 2,154,309
37						\$ 1,152,316
38	Other Income & Deductions:					
39	Interest:					
40	Long-Term Debt	789,309	83,766	873,077	(6,491)	866,587
41	Short-Term Debt	578	(578)	-	-	-
42	Other	(57,845)	87,545	29,700	(6,461)	23,239
43	Total Interest	\$ 132,042	\$ 140,733	\$ 273,077	\$ (6,461)	\$ 266,617
44	Other (Income) - Net	(32,459)	32,459	-	-	-
45	Total Other (Income) & Deductions	\$ 89,583	\$ 173,194	\$ 273,077	\$ (6,461)	\$ 266,617
46	Net Income	\$ 1,577,144	\$ (183,595)	\$ 1,393,549	\$ 1,139	\$ 1,394,688
47						\$ 343,637
48						\$ 867,885
49						\$ 1,394,688
50						\$ 1,394,688
51						\$ 1,394,688
52						\$ 1,394,688
53						\$ 1,394,688
54						\$ 1,394,688
55						\$ 1,394,688

ARIZONA WATER COMPANY  
Test Year Ended December 31, 2011  
Income Statement Pro Forma Adjustments

Line No.	Description	Northern Group									
		(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)
		Actual End of Test Year	Pro Forma Adjustments - As Filed	Adjusted Test Year - As Filed	Settlement Adj. No. 1	Settlement Adj. No. 2	Settlement Adj. No. 3	Settlement Adj. No. 4	Settlement Adj. No. 5	Settlement Adj. No. 6	Settlement Adj. No. 7
1	Operating Revenues	\$ 8,907,832	\$ (851,547)	\$ 7,936,285	\$ 131,954	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	Residential	2,221,784	(218,528)	2,003,256	-	-	-	-	-	-	-
3	Commercial	3,594	636	4,231	-	-	-	-	-	-	-
4	Industrial	66,835	(7,019)	59,816	-	-	-	-	-	-	-
5	Private Fire Service	18,345	(1,545)	17,000	-	-	-	-	-	-	-
6	Other Water Revenues	10,399	(1,185)	9,214	-	-	-	-	-	-	-
7	Total Water Revenues	\$ 11,209,300	\$ (1,185,932)	\$ 10,023,368	\$ 131,954	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
8	Miscellaneous	113,440	(8,681)	104,759	-	-	-	-	-	-	-
9	Total Operating Revenues	\$ 11,322,740	\$ (1,194,613)	\$ 10,128,129	\$ 131,954	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
10	Operating Expenses										
11	Source of Supply Expenses:										
12	Purchased Water	610	-	610	-	-	-	-	-	-	-
13	Other	77,884	6,016	83,900	2,168	-	-	-	-	-	-
14	Pumping Expenses:										
15	Purchased Power	888,352	-	888,352	-	-	-	-	-	-	-
16	Other	451	-	451	-	-	-	-	-	-	-
17	Purchased Gas	33,641	-	33,641	-	-	-	-	-	-	-
18	Water Treatment Expenses	292,753	33,641	326,394	30,219	-	-	-	-	-	-
19	Transmission & Distribution Expenses	567,248	101,764	669,012	13,430	-	-	-	-	-	-
20	Customer Accounting Expenses	1,047,823	231,194	1,279,017	(74,927)	-	-	-	-	-	-
21	Sales Expense	874,482	94,596	969,078	-	-	-	-	-	-	-
22	Customer Expense	2,058	-	2,058	-	-	-	-	-	-	-
23	Administrative & General Expenses	1,402,373	280,645	1,683,018	-	-	-	-	-	-	-
24	Depreciation & Amortization Expenses	5,264,034	748,236	6,012,270	45,815	(74,927)	(3,328)	(42,325)	(30,525)	(10,508)	-
25	Taxes										
26	Federal Income Taxes	707,363	(621,448)	85,915	-	-	-	-	-	-	-
27	State Income Taxes	105,071	(64,117)	40,954	-	-	-	-	-	-	-
28	Property Taxes	311,379	21,141	332,520	-	-	-	-	-	-	-
29	Other	1,182,063	(1,033,009)	149,054	-	-	-	-	-	-	-
30	Total Taxes	\$ 2,205,876	\$ (1,598,324)	\$ 607,552	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
31	Total Operating Expenses	\$ 9,259,448	\$ (859,841)	\$ 8,400,607	\$ 45,815	\$ (74,927)	\$ (3,328)	\$ (42,325)	\$ (30,525)	\$ (10,508)	\$ -
32	Operating Income	\$ 2,063,292	\$ (334,653)	\$ 1,728,639	\$ 86,139	\$ (74,927)	\$ 3,628	\$ 42,325	\$ 30,525	\$ (10,508)	\$ (31,271)
33	Other Income & Deductions:										
34	Interest:										
35	Long-Term Debt	1,148,444	55,729	1,204,173	-	-	-	-	-	-	(2,069)
36	Short-Term Debt	841	(841)	-	-	-	-	-	-	-	-
37	Other	(83,728)	83,728	-	-	-	-	-	-	-	(2,069)
38	Total Interest	\$ 1,065,557	\$ 138,616	\$ 1,204,173	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
39	Other (Income) - Net	(58,908)	58,908	-	-	-	-	-	-	-	(2,069)
40	Total Other (Income) & Deductions	\$ 1,006,649	\$ 197,524	\$ 1,204,173	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
41	Net Income	\$ 1,056,643	\$ (334,653)	\$ 721,990	\$ 86,139	\$ (74,927)	\$ 3,628	\$ 42,325	\$ 30,525	\$ (10,508)	\$ (31,271)

**ARIZONA WATER COMPANY**  
Test Year Ended December 31, 2011  
Income Statement Pro Forma Adjustments

Line No.	Description	Northern Group					(U)	(V)
		(L)	(M)	(N)	(O)	(P)		
		Settlement Adj. No. 9	BLANK	BLANK	BLANK	BLANK	BLANK	BLANK
1	Operating Revenues							
2	Residential							
3	Commercial							
4	Industrial							
5	Private Fire Service							
6	Other Water Revenues							
7	Total Water Revenues							
8	Miscellaneous							
9	Total Operating Revenues							
10								
11	Operating Expenses							
12	Source of Supply Expenses:							
13	Purchased Water							
14	Other							
15	Pumping Expenses:							
16	Purchased Power							
17	Purchased Gas							
18	Other							
19	Water Treatment Expenses							
20	Transmission & Distribution Expenses							
21	Customer Accounting Expenses							
22	Sales Expense							
23	Administrative & General Expenses							
24	Total Operations & Maintenance Expense							
25								
26	Depreciation & Amortization Expenses							
27								
28	Taxes							
29	Federal Income Taxes							
30	State Income Taxes							
31	Property Taxes							
32	Other							
33	Total Taxes							
34								
35	Total Operating Expenses							
36	Operating Income							
37								
38	Other Income & Deductions:							
39	Interest:							
40	Long-Term Debt							
41	Short-Term Debt							
42	Other							
43	Total Interest							
44								
45	Other (Income) - Net							
46								
47	Total Other (Income) & Deductions							
48								
49	Net Income							
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Supporting Schedules:

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ARIZONA WATER COMPANY  
Test Year Ended December 31, 2011  
Income Statement Pro Forma Adjustments

Line No.	Description	Narrative									
		(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)
		Actual	Pro Forma	Adjusted	Settlement	Settlement	Settlement	Settlement	Settlement	Settlement	Settlement
		Test Year	As Filed	As Filed	Adj. No. 1	Adj. No. 2	Adj. No. 3	Adj. No. 4	Adj. No. 5	Adj. No. 6	Adj. No. 7
1	Operating Revenues										
2	Residential	\$ 3,355,989	\$ (250,248)	\$ 3,065,720	\$ 68,751						
3	Commercial	485,813	(26,674)	459,139							
4	Industrial	374	156	532							
5	Private Fire Service	15,974	(1,207)	14,767							
6	Other Water Revenues	13,384	(1,018)	12,366							
7	Total Water Revenues	\$ 3,871,826	\$ (318,989)	\$ 3,552,839	\$ 68,751						
8	Miscellaneous	45,656	(3,215)	42,441							
9	Total Operating Revenues	\$ 3,917,482	\$ (322,204)	\$ 3,595,278	\$ 68,751						
10	Operating Expenses										
11	Source of Supply Expenses:										
12	Purchased Water	610		610							
13	Other	37,963	678	38,642	1,281						
14	Pumping Expenses:										
15	Purchased Power	282,792		282,792							
16	Other	451		451							
17	Purchased Gas	80,858	13,606	94,464	11,418						
18	Water Treatment Expenses	78,861	(3,284)	75,577	2,550						
19	Transmission & Distribution Expenses	441,848	88,587	530,435	(21,829)						
20	Customer Accounting Expenses	470,844	41,612	520,456							
21	Sales Expense	881		881							
22	Administrative & General Expenses	605,823	113,817	724,239							
23	Depreciation & Amortization Expenses	1,890,759	256,016	2,146,768	15,249	(21,829)	(2,311)	(18,760)	(15,114)		
24											
25											
26											
27											
28											
29	Taxes										
30	Federal Income Taxes	197,278	(146,185)	51,093							
31	State Income Taxes	29,304	(16,049)	13,255							
32	Property Taxes	135,581	(15,788)	119,793							
33	Other	945,481	(222,403)	65,978							
34	Total Taxes	\$ 707,824	\$ (499,425)	\$ 245,195							
35	Total Operating Expenses	\$ 3,941,851	\$ (177,147)	\$ 3,764,704	\$ 15,249	\$ (21,829)	\$ (2,311)	\$ (18,760)	\$ (15,114)	\$ (10,084)	\$ (29,211)
36	Operating Income	\$ 575,631	\$ (146,927)	\$ 430,278	\$ 53,503	\$ 21,829	\$ 2,311	\$ (1,750)	\$ (3,114)	\$ (10,084)	\$ (29,211)
37	Other Income & Deductions:										
38	Interest:										
39	Long-Term Debt	359,135	(28,040)	331,096							
40	Short-Term Debt	283	(283)								
41	Other	(28,163)	28,163								
42	Total Interest	\$ 331,255	\$ (2,159)	\$ 331,096							
43	Other (Income) - Net	(24,448)	24,448								
44	Total Other (Income) & Deductions	\$ 306,768	\$ 22,289	\$ 331,096							
45	Net Income	\$ 258,554	\$ (118,255)	\$ 140,299	\$ 53,503	\$ 21,829	\$ 2,311	\$ (1,750)	\$ (3,114)	\$ (10,084)	\$ (29,211)
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**ARIZONA WATER COMPANY**  
Test Year Ended December 31, 2011  
Income Statement Pro Forma Adjustments

Line No.	(L) Settlement Adj. No. 9	(M) BLANKS	(N) BLANKS	(O) BLANKS	(P) BLANKS	(Q) BLANKS	(R) BLANKS	(S) Total Settlement Adjustments	(T) Adjusted Test Year Settlement	(U) Required Increase - Settlement	(V) Adjust w/ Increase - Settlement
1	Operating Revenues										
2	Residential										
3	Commercial										
4	Industrial										
5	Private Fire Service										
6	Other Water Revenues										
7	Total Water Revenues							\$ 88,751	\$ 3,134,472		
8	Miscellaneous								498,139		
9	Total Operating Revenues							\$ 88,751	\$ 3,632,611		
10	Operating Expenses										
11	Source of Supply Expenses:										
12	Purchased Water										
13	Other										
14	Pumping Expenses:										
15	Purchased Power										
16	Purchased Gas										
17	Other										
18	Water Treatment Expenses										
19	Transmission & Distribution Expenses										
20	Customer Accounting Expenses										
21	Sales Expense										
22	Administrative & General Expenses										
23	Depreciation & Amortization Expenses										
24	Taxes										
25	Federal Income Taxes										
26	State Income Taxes										
27	Property Taxes										
28	Other										
29	Total Taxes										
30	Total Operating Expenses										
31	Operating Income										
32	Other Income & Deductions:										
33	Interest:										
34	Long-Term Debt										
35	Short-Term Debt										
36	Other										
37	Total Interest										
38	Other (Income) - Net										
39	Total Other (Income) & Deductions										
40	Net Income										
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ARIZONA WATER COMPANY  
Test Year Ended December 31, 2011  
Income Statement Pro Forma Adjustments

Line No.	Description	Verde Valley (Sedona, Prescott, Phoenix)									
		(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)
		Actual End of Test Year	Pro Forma Adjustments - As Filed	Adjusted Test Year - As Filed	Settlement Adj. No. 1	Settlement Adj. No. 2	Settlement Adj. No. 3	Settlement Income Statement Adj. No. 4	Settlement Adj. No. 5	Settlement Adj. No. 6	Settlement Adj. No. 7
1	Operating Revenues	\$ 5,541,864	\$ (871,299)	\$ 4,670,565	\$ 63,203						
2	Residential	1,735,981	(191,855)	1,544,126							
3	Commercial	3,220	479	3,699							
4	Industrial	50,881	(5,812)	45,069							
5	Private Fire Service	5,247	(527)	4,720							
6	Other Water Revenues										
7	Total Water Revenues	\$ 7,537,272	\$ (888,013)	\$ 6,649,259	\$ 63,203						
8	Miscellaneous	87,784	(8,486)	79,298							
9	Total Operating Revenues	\$ 7,625,056	\$ (896,499)	\$ 6,728,557	\$ 63,203						
10	Operating Expenses										
11	Source of Supply Expenses:										
12	Purchased Water	39,901	5,137	45,038	885						
13	Other										
14	Pumping Expenses:	635,560		635,560							
15	Purchased Power										
16	Purchased Gas	211,995	20,235	232,230	18,802						
17	Other	490,387	105,038	595,425	10,880						
18	Water Treatment Expenses	805,975	142,606	948,581							
19	Transmission & Distribution Expenses	495,838	52,984	548,822							
20	Customer Accounting Expenses	1,177		1,177							
21	Sales Expense	792,781	168,218	961,000							
22	Administrative & General Expenses	3,273,264	462,218	3,735,482	30,568						
23	Depreciation & Amortization Expenses	1,045,989	120,969	1,166,958							
24	Taxes										
25	Federal Income Taxes	510,075	(375,251)	134,814							
26	State Income Taxes	75,767	(46,069)	29,698							
27	Property Taxes	175,818	36,928	212,747							
28	Other	639,882	(781,600)	141,718							
29	Total Taxes	\$ 1,365,542	\$ (1,120,002)	\$ 245,540							
30	Total Operating Expenses	\$ 5,817,455	\$ (522,834)	\$ 5,294,621	\$ 30,568						
31	Operating Income	\$ 1,457,551	\$ (352,786)	\$ 1,104,765	\$ 32,635						
32	Other Income & Deductions:										
33	Interest:										
34	Long-Term Debt	789,309	83,768	873,077							
35	Short-Term Debt	678	(578)	100							
36	Other	(52,845)	57,845	5,000							
37	Total Interest	\$ 737,142	\$ 140,735	\$ 877,877							
38	Other (Income) - Net	(32,459)	32,459								
39	Total Other (Income) & Deductions	\$ 699,863	\$ 173,194	\$ 873,057							
40	Net Income	\$ 767,377	\$ (523,890)	\$ 243,487	\$ 32,635						
41											
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**ARIZONA WATER COMPANY**  
Test Year Ended December 31, 2011  
Income Statement Pro Forma Adjustments

Verde Valley (Sedona, Phoenix, Prescott)											
Line No.	(L)	(M)	(N)	(O)	(P)	(Q)	(R)	(S)	(T)	(U)	(V)
	Settlement Ad. No. 6	BLANK	BLANK	BLANK	BLANK	BLANK	BLANK	Settlement Adjustments	Adjusted Test Year - Settlement	Required Increase - Settlement	Adjusted w/ Increase - Settlement
Operating Revenues								\$ 63,203	\$ 4,933,768		
1 Residential									1,544,126		
2 Commercial									3,699		
3 Industrial									45,049		
4 Private Fire Service									4,820		
5 Other Water Revenues								\$ 63,203	\$ 8,531,482		
6 Total Water Revenues											
7											
8											
9 Miscellaneous									81,917		
10 Total Operating Revenues								\$ 63,203	\$ 6,592,775	\$ 1,821,764	\$ 8,214,573
11											
Operating Expenses											
12 Source of Supply Expenses:											
13 Purchased Water								885	45,923		45,923
14 Other									635,560		635,560
15 Pumping Expenses:											
16 Purchased Power								10,802	250,932		250,932
17 Purchased Gas								10,880	606,305		606,305
18 Other								(53,288)	695,283		695,283
19 Water Treatment Expenses									548,922		548,922
20 Transmission & Distribution Expenses									1,177		1,177
21 Customer Accounting Expenses									918,765		918,765
22 Sales Expense								(23,203)	\$ 16,768		\$ 3,700,567
23 Administrative & General Expenses								(81,885)	\$ 3,700,567		\$ 3,700,567
24 Operations & Maintenance Expense											
25 Total Operating Expenses								424	1,167,382		1,167,382
26 Depreciation & Amortization Expenses											
27 Taxes											
28 Federal Income Taxes								41,799	178,813	507,416	684,029
29 State Income Taxes								9,208	38,806	111,779	150,886
30 Property Taxes								2,059	214,808	17,614	232,420
31 Other									85,082		85,082
32 Total Taxes								\$ 53,066	\$ 515,407	\$ 636,809	\$ 1,152,216
33 Total Operating Expenses											
34 Operating Income								(11,415)	\$ 636,809	\$ 636,809	\$ 620,165
35 Other Income & Deductions:											
36 Interest:											
37 Long-Term Debt											
38 Short-Term Debt											
39 Other											
40 Total Interest											
41 Other Income - Net								(6,491)	866,587		866,587
42 Total Other Income & Deductions											
43 Net Income											
44											
45											
46											
47											
48 Total Other Income & Deductions								(6,491)	866,587		866,587
49 Net Income											
50											

ARIZONA WATER COMPANY  
Test Year Ended December 31, 2011  
Settlement Income Statement Adjustment No. 1  
Reverse Company Proposed Weather & Usage Normalization

Line No.	Navajo [A]	Verde Valley [B]	Total [B]
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ARIZONA WATER COMPANY  
Test Year Ended December 31, 2011  
Settlement Income Statement Adjustment No. 2  
Adopt Staff Recommended T&D Maintenance Expense Adjustment

Line No.	Northern Group			
	(A)	(B)	(C)	
1	Company Proposed T&D			
2	Maintenance - Expense - Adjustment	Staff Recommended Adjustment	Increase / (Decrease)	
3				
4				
5				
6	Northern Group			
7	Navajo			
8	Verde Valley			
9				
10	Subtotal			
11				
12	Total			
13				
14				
15	Increase/(Decrease) in Expenses			
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ARIZONA WATER COMPANY  
Test Year Ended December 31, 2011  
Settlement Income Statement Adjustment No. 3  
Adopt Staff Recommended Adjustment to Miscellaneous Expense

Northern Group	
(A)	
Line No.	Staff Proposed Adjustment - Miscellaneous Expense
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System

Northern Group

Navejo

Verde Valley

Subtotal

Total

Increase/(Decrease) in Expenses

\$ (2,311)
(1,217)
\$ (3,528)
\$ (3,528)
\$ (3,528)

ARIZONA WATER COMPANY  
Test Year Ended December 31, 2011  
Settlement Income Statement Adjustment No. 4  
Adopt Staff Recommended Adjustment to Best Management Practices ("BMP") Expense

Northern Group	
(A)	
Line No.	Staff Proposed Adjustment - BMP Expense
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Line

No.

System

Northern Group

Navajo

Verde Valley

Subtotal

Total

Increase/(Decrease) in Expenses

\$ (18,750)  
(23,575)  
\$ (42,325)  
\$ (42,325)  
\$ (42,325)

ARIZONA WATER COMPANY  
Test Year Ended December 31, 2011  
Settlement Income Statement Adjustment No. 5  
Adopt Staff Recommended Rate Case Expense

Line No.	System	Northern Group						Increase / (Decrease)
		(A)	(B)	(C)	(D)	(E)	(F)	
		Northern Grp. Rate Case Expense Estimate / Spread	Normalization Period In Years	Annual Expense - Normalized	T.Y. 2011 Prior Rate Case Expense Charged to GMM - \$28.2	Increase / (Decrease)	Settlement Rate Case Expense	Annual Expense - Normalized
1	Northern Group	\$ 189,707	3	\$ 63,238	\$ 16,980	\$ 46,258	\$ 190,394	\$ 50,121
2	Navajo	\$ 251,869	3	\$ 83,958	\$ 21,480	\$ 62,478	\$ 188,636	\$ 68,545
3	Verde Valley							
4								
5								
6								
7	Subtotal	\$ 441,576		\$ 147,196	\$ 38,460	\$ 108,732	\$ 350,000	\$ 118,667
8								
9								
10	Phoenix Office							
11								
12	Total	\$ 441,576		\$ 147,196	\$ 38,460	\$ 108,732	\$ 350,000	\$ 118,667
13								
14	Increase/(Decrease) In Rate Case Expense							
15								
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(30,525)

350,000

441,576

Phoenix Office

Total

Increase/(Decrease) In Rate Case Expense

ARIZONA WATER COMPANY  
Test Year Ended December 31, 2011  
Settlement Income Statement Adjustment No. 6  
Adjust Depreciation Expense to Reflected Settlement Plant Adjustments

Line No.	Asset Description	(A) Depreciation Rate	(B) Settlement Adjustments - Direct Plant	(C) Settlement Rate Base Adjustments - P.T.Y.P.	(D) Increase / (Decrease) Dep. Exp.	(E) Phoenix Office (3-factor Alloc.) 0.0943	(F) Increase / (Decrease) Meter Shop (3-factor Alloc.) 0.0843	(G) Total Increase / (Decrease) (D+E+F)
1	Intangible Plant	0.00%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	Organization	note_1	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3	Franchises	note_1	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
4	Other Intangibles	0.00%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5	Subtotal Intangible Plant	0.00%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6	Source of Supply Plant	0.00%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
7	Water Rights	0.00%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
8	Other Source of Supply Land	note_1	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
9	Wells - Other	3.13%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
10	Wells	0.00%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11	Subtotal Source of Supply Plant	0.00%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12	Pumping Plant	2.88%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
13	Pumping Plant Land	5.88%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
14	Pumping Plant Structures & Improvements	4.00%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
15	Electric Pumping Equipment	0.00%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
16	Gas Engine Equipment	0.00%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
17	Subtotal Pumping Plant	0.00%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
18	Water Treatment Plant	2.50%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
19	Water Treatment Plant Land	2.50%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
20	Water Treatment Structures & Improvements	0.00%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
21	Water Treatment Equipment	0.00%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
22	Subtotal Water Treatment Plant	0.00%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
23	Transmission and Distribution Land	0.00%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
24	Transmission and Distribution Main	1.79%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
25	Storage Tanks	2.00%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
26	Transmission & Distribution Main	2.38%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
27	Fire Sprinkler Taps	4.55%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
28	Services	1.82%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
29	Meters	0.00%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
30	Hydrants	0.00%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
31	Subtotal Transmission & Distribution Plant	0.00%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
32	General Plant	2.50%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
33	General Plant Land	6.87%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
34	General Plant Structures	6.87%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
35	Leasehold Improvements	6.00%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
36	Office Furniture & Equipment	4.00%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
37	Warehouse Equipment	5.00%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
38	Tools, Shop & Garage Equipment	6.87%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
39	Laboratory Equipment	6.87%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
40	Power Operated Equipment	3.33%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
41	Communication Equipment	0.00%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
42	Miscellaneous Equipment	0.00%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
43	Subtotal General Plant	0.00%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
44	Total Depreciation Expense - Utility Plant	2.00%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
45	Net Regulatory Assets/(Liabilities)		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
46	Less: Contributions in Aid of Construction		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
47	Total Increase/(Decrease) in Depreciation & Amortization Expense - Settlement		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

note\_1 Acct. 302 - Franchises amortized over 25 years. Acct. 303 - Other Intangibles amortized over 15 & 20 Years.  
note\_2 Acct. 310.4 - Wells - Other amortized over 24 years. Accumulated Amortization booked to Acct. 111 - Amort. Of Ltd. Term Investments.

note\_1 Acct. 302 - Franchises amortized over 25 years. Acct. 303 - Other Intangibles amortized over 15 & 20 Years.  
note\_2 Acct. 310.4 - Wells - Other amortized over 24 years. Accumulated Amortization booked to Acct. 111 - Amort. Of Ltd. Term Investments.

**ARIZONA WATER COMPANY**  
Test Year Ended December 31, 2011  
Settlement Income Statement Adjustment No. 8 (continued)  
Adjust Depreciation Expense to Reflect Settlement Plant Adjustments

Line No.	Acct. No.	(A) Depreciation Rate	(B) Settlement Rate Base Adjustments - Direct Plant	(C) Settlement Rate Base Adjustments - P.I.P.	(D) Increase / (Decrease) Degr. Exp.	(E) Increase / (Decrease) Phoenix Office (3-factor Alloc.)	(F) Increase / (Decrease) Meter Shop (3-factor Alloc.)	(G) Total Increase / (Decrease) (D + E + F)
1	Infinite Plant							
2	301 Organization	0.00%	\$	\$	\$	\$	\$	\$
3	302 Franchises	note_1	\$	\$	\$	\$	\$	\$
4	303 Other Intangibles	note_1	\$	\$	\$	\$	\$	\$
5	Subtotal Intangible Plant		\$	\$	\$	\$	\$	\$
6	Source of Supply Plant							
7	310.1 Water Rights	0.00%	\$	\$	\$	\$	\$	\$
8	310.3 Other Source of Supply Land	0.00%	\$	\$	\$	\$	\$	\$
9	310.4 Wells - Other	note_1	\$	\$	\$	\$	\$	\$
10	314 Wells	3.13%	\$	\$	\$	\$	\$	\$
11	Subtotal Source of Supply Plant		\$	\$	\$	\$	\$	\$
12	Pumping Plant							
13	320 Pumping Plant Land	0.00%	\$	\$	\$	\$	\$	\$
14	321 Pumping Plant Structures & Improvements	2.86%	\$	\$	\$	\$	\$	\$
15	325 Electric Pumping Equipment	5.88%	\$	\$	\$	\$	\$	\$
16	326 Gas Engine Equipment	4.00%	\$	\$	\$	\$	\$	\$
17	Subtotal Pumping Plant		\$	\$	\$	\$	\$	\$
18	Water Treatment Plant							
19	330 Water Treatment Plant Land	0.00%	\$	\$	\$	\$	\$	\$
20	331 Water Treatment Structures & Improvements	2.50%	\$	\$	\$	\$	\$	\$
21	332 Water Treatment Equipment	2.86%	\$	\$	\$	\$	\$	\$
22	Subtotal Water Treatment Plant		\$	\$	\$	\$	\$	\$
23	Transmission & Distribution Land							
24	340 Transmission & Distribution Land	0.00%	\$	\$	\$	\$	\$	\$
25	342 Storage Tanks	2.00%	\$	\$	\$	\$	\$	\$
26	343 Transmission & Distribution Mains	1.79%	\$	\$	\$	\$	\$	\$
27	344 Fire Sprinkler Taps	2.00%	\$	\$	\$	\$	\$	\$
28	345 Services	2.38%	\$	\$	\$	\$	\$	\$
29	346 Meters	4.55%	\$	\$	\$	\$	\$	\$
30	348 Hydrants	1.82%	\$	\$	\$	\$	\$	\$
31	Subtotal Transmission & Distribution Plant		\$	\$	\$	\$	\$	\$
32	General Plant							
33	369 General Plant Land	0.00%	\$	\$	\$	\$	\$	\$
34	390 General Plant Structures	2.50%	\$	\$	\$	\$	\$	\$
35	390.1 Leasehold Improvements	note_2	\$	\$	\$	\$	\$	\$
36	391 Office Furniture & Equipment	6.67%	\$	\$	\$	\$	\$	\$
37	393 Warehouse Equipment	5.00%	\$	\$	\$	\$	\$	\$
38	394 Tools, Shop & Garage Equipment	4.00%	\$	\$	\$	\$	\$	\$
39	395 Laboratory Equipment	5.00%	\$	\$	\$	\$	\$	\$
40	396 Power Operated Equipment	8.67%	\$	\$	\$	\$	\$	\$
41	397 Communication Equipment	8.67%	\$	\$	\$	\$	\$	\$
42	398 Miscellaneous Equipment	3.33%	\$	\$	\$	\$	\$	\$
43	Subtotal General Plant		\$	\$	\$	\$	\$	\$
44	Total Depreciation Expense - Utility Plant		\$	\$	\$	\$	\$	\$
45	Net Regulatory Assets/(Liabilities)	2.00%	\$	\$	\$	\$	\$	\$
46	Less: Contributions In Aid of Construction		\$	\$	\$	\$	\$	\$
47	Total Increase/(Decrease) in Depreciation & Amortization Expense - Settlement		\$	\$	\$	\$	\$	\$
48			\$	\$	\$	\$	\$	\$
49			\$	\$	\$	\$	\$	\$
50			\$	\$	\$	\$	\$	\$
51			\$	\$	\$	\$	\$	\$
52			\$	\$	\$	\$	\$	\$
53			\$	\$	\$	\$	\$	\$
54			\$	\$	\$	\$	\$	\$
55			\$	\$	\$	\$	\$	\$

note\_1 Acct. 302 - Franchises amortized over 25 years. Acct. 303 - Other Intangibles amortized over 15 & 20 Years.

Acct. 310.4 - Wells - Other amortized over 24 years. Accumulated Amortization booked to Acct. 111 - Amort. of Ltd. Term Investments.

note\_2 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

N:\2012\_Rate\_Case\Settlement\Final Settlement Schedule\2012 AVG Rate Case Settlement v3 20 13 INTERNAL.docx2.1  
Processing Date: 4/2/2013 2:54 PM

Supporting Schedules:

**ARIZONA WATER COMPANY**  
Test Year Ended December 31, 2011  
Settlement Income Statement Adjustment No. 6 (continued)  
Adjust Depreciation Expense to Reflect Settlement Plant Adjustments.

Line No.	Acct.		(A) Depreciation Rate	(B) Settlement Rate Base Adjustments - Direct Plant		(C) Settlement Rate Base Adjustments - P.L.I.E.		(D) Increase / (Decrease) Desc. Exp.
1		Intangible Plant	0.00%	\$	\$			\$
2	301	Organization	note_1					
3	302	Franchises	note_1					
4	303	Other Intangibles						
5		Subtotal Intangible Plant		\$	\$			\$
6		Sources of Supply Plant	0.00%					
7	310.1	Water Rights	0.00%					
8	310.3	Other Sources of Supply Land	note_1					
9	310.4	Wells - Other	3.13%					
10	314	Wells		\$	\$			\$
11		Subtotal Source of Supply Plant						
12		Pumping Plant	0.00%					
13	320	Pumping Plant Land	2.86%					
14	321	Pumping Plant Structures & Improvements	5.88%					
15	325	Electric Pumping Equipment	4.00%					
16	325	Gas Engine Equipment						
17	328	Subtotal Pumping Plant		\$	\$			\$
18		Water Treatment Plant	0.00%					
19	330	Water Treatment Plant Land	2.50%					
20	331	Water Treatment Structures & Improvements	2.86%					
21	332	Water Treatment Equipment		\$	\$			\$
22		Subtotal Water Treatment Plant						
23		Transmission & Distribution Plant	0.00%					
24	340	Transmission and Distribution Land	2.00%					
25	342	Storage Tanks	1.79%					
26	343	Transmission & Distribution Mains	2.00%					
27	344	Fire Sprinkler Taps	2.38%					
28	345	Services	4.55%					
29	346	Meters	1.82%					
30	348	Hydrants		\$	\$			\$
31		Subtotal Transmission & Distribution Plant						
32		General Plant	0.00%					
33	389	General Plant Land	2.50%					
34	390	General Plant Structures	note_2					
35	390.1	Leasehold Improvements	6.67%			(5,620)		(378)
36	391	Office Furniture & Equipment	5.00%					
37	393	Warehouse Equipment	4.00%			4,334		173
38	394	Tools, Shop & Garage Equipment	5.00%					
39	395	Laboratory Equipment	6.67%					
40	396	Power Operated Equipment	6.67%					
41	397	Communication Equipment	3.33%			(1,266)		(201)
42	398	Miscellaneous Equipment						
43		Subtotal General Plant		\$	\$	(1,266)		(201)
44		Total Depreciation Expense - Utility Plant						
45		Net Regulatory Assets/(Liabilities)						
46		Total Increase/(Decrease) in Depreciation & Amortization Expenses - Settlement						

note\_1 Acct. 302 - Franchises amortized over 25 years. Acct. 303 - Other intangibles amortized over 15 & 20 years.  
Acct. 310.4 - Wells - Other amortized over 24 years. Accumulated amortization booked to Acct. 111 - Amort. Of Ltd. Term Investments.  
note\_2 Acct. 390.1 - Leasehold improvements amortized over the remaining life of the associated lease.

ARIZONA WATER COMPANY  
Test Year Ended December 31, 2011  
Settlement Income Statement Adjustment No. 6 (continued)  
Adjust Depreciation Expense to Reflect Settlement Plant Adjustments

Line No.	Acct. No.	Description	[A]			[B]			[C]			[D]		
			Depreciation Rate	Settlement Rate Base Adjustments - Direct Plant	Settlement Rate Base Adjustments - P.L.Y.P.	Increase / (Decrease) Over Exp.								
1		Intangible Plant												
2	301	Organization	0.00%	\$ -	\$ -	\$ -								
3	302	Franchises	note_1											
4	303	Other Intangibles	note_1											
5		Subtotal Intangible Plant		\$ -	\$ -	\$ -								
6		Source of Supply Plant												
7	310.1	Water Rights	0.00%											
8	310.3	Other Source of Supply Land	0.00%											
9	310.4	Wells - Other	note_1											
10	314	Wells	3.13%											
11		Subtotal Source of Supply Plant		\$ -	\$ -	\$ -								
12		Pumping Plant												
13	320	Pumping Plant Land	0.00%											
14	321	Pumping Plant Structures & Improvements	2.85%											
15	325	Electric Pumping Equipment	5.88%											
16	325	Gas Engine Equipment	4.00%											
17		Subtotal Pumping Plant		\$ -	\$ -	\$ -								
18		Water Treatment Plant												
19	330	Water Treatment Plant Land	0.00%											
20	331	Water Treatment Structures & Improvements	2.50%											
21	332	Water Treatment Equipment	2.86%											
22		Subtotal Water Treatment Plant		\$ -	\$ -	\$ -								
23		Transmission & Distribution Plant												
24	340	Transmission and Distribution Land	0.00%											
25	342	Storage Tanks	2.00%											
26	343	Transmission & Distribution Mains	1.78%											
27	344	Five Sprinkler Taps	2.00%											
28	345	Services	2.38%											
29	346	Meters	4.55%											
30	348	Hydrants	1.82%											
31		Subtotal Transmission & Distribution Plant		\$ -	\$ -	\$ -								
32		General Plant												
33	389	General Plant Land	0.00%											
34	390	General Plant Structures	2.50%											
35	390.1	Leasehold Improvements	note_2											
36	391	Office Furniture & Equipment	6.67%											
37	393	Warehouse Equipment	5.00%											
38	394	Tools, Shop & Garage Equipment	4.00%											
39	395	Laboratory Equipment	5.00%											
40	396	Power Operated Equipment	6.67%											
41	397	Communication Equipment	6.67%											
42	398	Miscellaneous Equipment	3.33%											
43		Subtotal General Plant		\$ -	\$ -	\$ -								
44		Total Depreciation Expense - Utility Plant		\$ -	\$ -	\$ -								
45		Net Regulatory Assets/(Liabilities)		\$ -	\$ -	\$ -								
46		Total Increase/(Decrease) in Depreciation & Amortization Expense - Settlement		\$ -	\$ -	\$ -								

note\_1 Acct. 302 - Franchises amortized over 26 years. Acct. 303 - Other intangibles amortized over 15 & 20 years.  
Acct. 310.4 - Wells - Other amortized over 24 years. Accumulated Amortization booked to Acct. 111 - Amort. Of Ltd. Term Investments.  
note\_2 Acct. 390.1 - Leasehold improvements amortized over the remaining life of the associated lease.

ARIZONA WATER COMPANY  
Test Year Ended December 31, 2011  
Settlement Income Statement Adjustment No. 7  
True-up Synchronized Interest to Reflected Settlement Rate Base Adjustments

Line No.	System	Northern Group - Synchronized Interest									
		(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)
		Settlement Orig. Cost Rate Base Sch. B-1 Ln. 23	Weighted Cost of Long-Term Debt Sch. D-1	Synchronized Interest - Long-Term Debt	Adjusted T.Y. Interest - As Filed	Increase / (Decrease) Long-Term Interest Exo.	Weighted Cost of Short-Term Debt Sch. D-1	Synchronized Interest - Short-Term Debt	Adjusted T.Y. Interest - As Filed	Increase / (Decrease) Short-Term Interest Exo.	Test Year Other Interest - As Filed
1											
2											
3	Northern Group	\$ 10,080,534	3.33%	\$ 335,517	\$ 351,098	\$ 4,421	0.00%	\$ -	\$ -	\$ -	\$ -
4	Navajo	25,984,762	3.33%	\$ 868,587	\$ 878,077	\$ (6,491)	0.00%	\$ -	\$ -	\$ -	\$ -
5	Verde Valley										
6											
7	Subtotal	\$ 36,045,296		\$ 1,202,103	\$ 1,204,173	\$ (2,069)		\$ -	\$ -	\$ -	\$ -
8											
9	Total	\$ 36,045,296		\$ 1,202,103	\$ 1,204,173	\$ (2,069)		\$ -	\$ -	\$ -	\$ -
10											
11											
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Increase/(Decrease) in Expenses

ARIZONA WATER COMPANY  
Test Year Ended December 31, 2011  
Settlement Income Statement Adjustment IS-8  
Adjust Property Taxes

Line No.	
1	Adjusted Revenues - Settlement
2	Adjusted Revenues - Settlement
3	Adjusted Revenues - Settlement / Settlement Revenues
4	Average Revenue
5	Average Revenue Multiplied by 2
6	
7	
8	
9	
10	
11	
12	
13	
14	
15	Deduct:
16	Net Book Value of Transportation Equipment
17	
18	Full Cash Value
19	Assessment Ratio
20	Assessed Value
21	Property Tax Rate <sup>1</sup>
22	Property Tax
23	Tax on Parcels
24	Total Property Taxes - Calculated
25	Adjusted Property Taxes - As filed
26	Increase / (Decrease) in T.Y. Property Taxes - Settlement
27	Adjusted Property Taxes at New Rates - Settlement
28	Inc. / (Dec.) in Property Taxes at New Rates - Settlement
29	As % of Change in Revenue Requirement

Navajo		Verde Valley		Northern Group	
(A)	(B)	(C)	(D)	(E)	(F)
T.Y. Adjusted - Settlement	Adjusted - Settlement w/ Increase	T.Y. Adjusted - Settlement	Adjusted - Settlement w/ Increase	T.Y. Adjusted - Settlement	Adjusted - Settlement w/ Increase
\$ 3,663,832	\$ 3,663,832	\$ 6,592,779	\$ 6,592,779	\$ 10,256,811	\$ 10,256,811
\$ 3,663,832	\$ 3,663,832	\$ 6,592,779	\$ 6,592,779	\$ 10,256,811	\$ 10,256,811
\$ 3,663,832	\$ 4,282,366	\$ 6,592,779	\$ 8,214,573	\$ 10,256,811	\$ 12,498,939
\$ 3,663,832	\$ 3,870,010	\$ 6,592,779	\$ 7,133,377	\$ 10,256,811	\$ 11,003,387
\$ 7,327,663	\$ 7,740,020	\$ 13,185,558	\$ 14,268,754	\$ 20,513,221	\$ 22,008,774
20.0%	20.0%	20.0%	20.0%	20.0%	20.0%
1,466,533	1,548,004	2,637,112	2,853,351	4,102,644	4,401,353
10.17%	10.17%	8.15%	8.15%	8.87%	8.86%
148,985	157,369	214,808	232,420	363,780	389,788
\$ 148,985	\$ 157,369	\$ 214,808	\$ 232,420	\$ 363,780	\$ 389,788
119,773		212,747		332,520	
\$ 29,211		\$ 2,059		\$ 31,271	
148,985			214,808		363,780
\$ 8,384		\$ 17,514		\$ 25,998	
1.38%		1.08%		1.16%	

<sup>1</sup>Property Tax rates updated to reflect current known & measurable rates.

**ARIZONA WATER COMPANY**  
 Test Year Ended December 31, 2011  
 Settlement Income Statement Adjustment (S-8)  
 Adjust Income Taxes

Line No.		(A) Namejo	(B) Adjusted - Settlement	(C) Verde Valley	(D) Northern Group
1					
2					
3	Operating Income Before Inc. Taxes	\$ 682,638	\$ 1,172,787	\$ 1,424,942	\$ 1,987,578
4	Interest Expense	\$ 335,517	\$ 335,517	\$ 866,587	\$ 1,202,103
5	Arizona Taxable Income (Ln. 3 + Ln. 4)	\$ 227,119	\$ 837,270	\$ 558,355	\$ 785,475
6					
7	Less Arizona Income Tax (Ln. 5 X Ln. 6)	\$ 15,826	\$ 68,341	\$ 38,908	\$ 84,732
8	Arizona Income Tax Rate = 6.988%				
9					
10	Federal Income Before Taxes (Ln. 5)	\$ 227,119	\$ 837,270	\$ 558,356	\$ 785,475
11	Less Arizona Income Taxes (Ln. 7)	\$ 15,826	\$ 68,341	\$ 38,908	\$ 84,732
12	Federal Taxable Income (Ln. 10 - Ln. 11)	\$ 211,294	\$ 770,929	\$ 519,448	\$ 700,743
13					
14	Federal Income Taxes:				
15	15% Bracket from \$1 to \$50,000				
16	25% Bracket from \$50,001 to \$75,000				
17	34% Bracket from \$75,001 to \$100,000				
18	39% Bracket from \$100,001 to \$335,000				
19	34% Bracket over \$335,000				
20					
21	Federal Income Taxes:	\$ 71,840	\$ 284,836	\$ 176,613	\$ 248,453
22					
23	Total Income Tax (Ln. 11 + Ln. 21)	\$ 87,998	\$ 323,177	\$ 215,619	\$ 303,185
24					
25	Tax Rate (Ln. 24 ÷ Ln. 5)	38.60%	38.60%	38.60%	38.60%
26					
27	Effective Income Tax Rates	6.97%	6.97%	6.97%	6.97%
28	State (Ln. 7 ÷ Ln. 5)	91.63%	31.63%	31.63%	31.63%
29					
30	Federal (Ln. 21 ÷ Ln. 5)				
31					
32	Adjusted Federal Income Taxes - As Filed (Sch. C-2, Ln. 30)	\$ 51,083	\$ 134,814	\$ 41,789	\$ 82,846
33	Increase / (Decrease) in Federal Income Taxes (Ln. 21 - Ln. 32)	\$ 20,747	\$ 41,789	\$ 29,898	\$ 40,954
34					
35	Adjusted State Income Taxes - As Filed (Sch. C-2, Ln. 31)	\$ 11,285	\$ 9,208	\$ 176,613	\$ 248,453
36	Increase / (Decrease) in State Income Taxes (Ln. 11 - Ln. 36)	\$ 4,570	\$ 192,995	\$ 507,416	\$ 700,412
37					
38	Adjusted Federal Income Taxes - Settlement	\$ 71,840	\$ 192,995	\$ 38,908	\$ 154,295
39	Increase / (Decrease) in Federal Income Taxes (Ln. 21 - Ln. 39)				
40					
41	Adjusted State Income Taxes - Settlement	\$ 15,826	\$ 42,515	\$ 111,779	
42	Increase / (Decrease) in State Income Taxes (Ln. 11 - Ln. 42)				
43					
44					
45					
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54					
55					

Supporting Schedules:

NCR17\_Rule\_CasSettlementFinal Settlement Schedules2012 AWC Rule Case Settlement vs 2013 INTERNAL JAN12 1  
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Recap Schedules:

Line No.	Description	(A) Northern Group	(B) Navajo	(C) Verde Valley (Sedona, Pinehood, Rimrock)
1	Federal Income Taxes	31.63%	31.63%	31.63%
2				
3	State Income Taxes	6.97%	6.97%	6.97%
4				
5	Total Federal & State Income Tax Percentage	38.60%	38.60%	38.60%
6				
7	Operating Income % = 100% - Tax Percentage	61.40%	61.40%	61.40%
8				
9	Property Tax Factor (Sch. C-2 Appdx.)	1.16%	1.36%	1.08%
10				
11	Effective Property Tax Factor (Ln. 8 x Ln. 10)	0.71%	0.83%	0.87%
12				
13	Combined Federal & State Income & Property Tax Rate	39.31%	39.43%	39.27%
14				
15	Operating Income % = 100% - Tax Percentage	60.69%	60.57%	60.73%
16				
17				
18				
19				
20				
21				
22				
23				
	Operating Income %	60.69%	60.57%	60.73%
	1 = Gross Revenue Conversion Factor	1.6478	1.6510	1.6485

ARIZONA WATER COMPANY  
Test Year Ended December 31, 2011  
Summary Cost of Capital

Line No.	Description	Northern Group			
		(A) Dollar Amount	(B) Percent of Total	(C) Return	(D) Weighted Return
1	Short-Term Debt	\$ -	0.0%	0.00%	0.00%
2					
3	Long-Term Debt	16,462,500	48.9%	6.82%	3.34%
4					
5	Common Equity	17,169,552	51.1%	6.14%	3.13%
6					
7	Totals	\$ 33,632,052	100.00%		6.48%

Line No.	Description	Proposed End of Test Year - As Filed			
		Dollar Amount	Percent of Total	Cost Rate	Weighted Cost
19	Short-Term Debt	\$ -	0.0%	0.00%	0.00%
20					
21	Long-Term Debt	16,462,500	48.9%	6.82%	3.34%
22					
23	Common Equity	17,169,552	51.1%	11.30%	5.77%
24					
25	Totals	\$ 33,632,052	100.00%		9.11%

Line No.	Description	End of Test Year - Settlement			
		Dollar Amount	Percent of Total	Cost Rate	Weighted Cost
37	Short-Term Debt	\$ -	0.0%	0.00%	0.00%
38					
39	Long-Term Debt	16,462,500	48.9%	6.82%	3.33%
40					
41	Common Equity	17,169,552	51.1%	10.00%	5.11%
42					
43	Totals	\$ 33,632,052	100.00%		8.44%

1 Allocated based on  
3-factor methodology

Supporting Schedules:

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ARIZONA WATER COMPANY  
Test Year Ended December 31, 2011  
Changes in Representative Rate Schedules

Line No.	Class of Service	Rate Block			Basic Service Charge			Volume Charge (M Gal)		
		Present	Settlement		Present Rate	Settlement Rate	Change	Present Rate	Settlement Rate	Change
1	Residential 5/8 x 3/4 -inch	3	3		\$ 12.04	\$ 17.26	\$ 4.62	\$ 4,277.1	\$ 3,916.0	\$ (0.3611)
2		10	10					5,132.0	5,421.3	0.2893
3		99,999	99,999					6,158.0	7,305.8	1.1478
4										
5	Residential 1-inch	10	21		\$ 31.61	\$ 43.15	\$ 11.54	\$ 5,132.0	\$ 5,421.3	\$ 0.2893
6		99,999	99,999					6,158.0	7,305.8	1.1478
7		99,999	99,999					6,158.0	7,305.8	1.1478
8										
9	Residential 1.5-inch	n/a	50		n/a	\$ 66.30	n/a	n/a	5,421.3	n/a
10		n/a	99,999					n/a	7,305.8	n/a
11		n/a	99,999					n/a	7,305.8	n/a
12										
13	Residential 2-inch	50	60		\$ 101.15	\$ 138.08	\$ 36.93	\$ 5,132.0	\$ 5,421.3	\$ 0.2893
14		99,999	99,999					6,158.0	7,305.8	1.1478
15		99,999	99,999					6,158.0	7,305.8	1.1478
16										
17	Residential 3-inch	125	120		\$ 202.29	\$ 278.16	\$ 75.87	\$ 5,132.0	\$ 5,421.3	\$ 0.2893
18		99,999	99,999					6,158.0	7,305.8	1.1478
19		99,999	99,999					6,158.0	7,305.8	1.1478
20										
21	Residential 4-inch	200	180		\$ 318.08	\$ 431.50	\$ 118.42	\$ 5,132.0	\$ 5,421.3	\$ 0.2893
22		99,999	99,999					6,158.0	7,305.8	1.1478
23		99,999	99,999					6,158.0	7,305.8	1.1478
24										
25	Residential 6-inch	350	380		\$ 632.17	\$ 863.00	\$ 230.83	\$ 5,132.0	\$ 5,421.3	\$ 0.2893
26		99,999	99,999					6,158.0	7,305.8	1.1478
27		99,999	99,999					6,158.0	7,305.8	1.1478
28										
29	Residential 8-inch	650	600		\$ 1,011.47	\$ 1,380.80	\$ 369.33	\$ 5,132.0	\$ 5,421.3	\$ 0.2893
30		99,999	99,999					6,158.0	7,305.8	1.1478
31		99,999	99,999					6,158.0	7,305.8	1.1478
32										
33	Residential 10-inch	1,080	800		\$ 1,453.99	\$ 1,984.90	\$ 530.91	\$ 5,132.0	\$ 5,421.3	\$ 0.2893
34		99,999	99,999					6,158.0	7,305.8	1.1478
35		99,999	99,999					6,158.0	7,305.8	1.1478
36										
37										
38										
39										
40										
41										
42										
43										
44										
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48										
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51										
52										
53										
54										
55										

(Continued)

\*\*For Service Charges See Company-wide Service Charge Tariff at the end of this schedule\*\*

Line No.	Class of Service	Rate Block			Basic Service Charge			Volumetric Charge (M Gall)		
		Present	Settlement	Rate	Present Rate	Settlement Rate	Change	Present Rate	Settlement Rate	Change
1	Commercial 5/8 x 3/4 -inch	10	10		\$ 12.64	\$ 23.00	\$ 10.36	\$ 4,898	\$ 5,421	\$ 0.7225
2		99,999	99,999					5,638	7,305	1,667
3		99,999	99,999					5,638	7,305	1,667
4		15	21		\$ 31.61	\$ 57.50	\$ 25.89	\$ 4,898	\$ 5,421	\$ 0.7225
5		99,999	99,999					5,638	7,305	1,667
6		99,999	99,999					5,638	7,305	1,667
7		n/a	n/a		n/a	115.00	n/a	n/a	5,421	n/a
8		n/a	n/a		n/a			n/a	7,305	n/a
9		n/a	n/a		n/a			n/a	7,305	n/a
10		65	60		\$ 101.15	\$ 184.00	\$ 82.85	\$ 4,898	\$ 5,421	\$ 0.7225
11		99,999	99,999					5,638	7,305	1,667
12		99,999	99,999					5,638	7,305	1,667
13		125	120		\$ 202.29	\$ 368.00	\$ 165.71	\$ 4,898	\$ 5,421	\$ 0.7225
14		99,999	99,999					5,638	7,305	1,667
15		99,999	99,999					5,638	7,305	1,667
16		200	190		\$ 316.08	\$ 575.00	\$ 258.92	\$ 4,898	\$ 5,421	\$ 0.7225
17		99,999	99,999					5,638	7,305	1,667
18		99,999	99,999					5,638	7,305	1,667
19		400	390		\$ 632.17	\$ 1,150.00	\$ 517.83	\$ 4,898	\$ 5,421	\$ 0.7225
20		99,999	99,999					5,638	7,305	1,667
21		99,999	99,999					5,638	7,305	1,667
22		675	600		\$ 1,011.47	\$ 1,840.00	\$ 828.53	\$ 4,898	\$ 5,421	\$ 0.7225
23		99,999	99,999					5,638	7,305	1,667
24		99,999	99,999					5,638	7,305	1,667
25		1,080	800		\$ 1,453.99	\$ 2,645.00	\$ 1,191.01	\$ 4,898	\$ 5,421	\$ 0.7225
26		99,999	99,999					5,638	7,305	1,667
27		99,999	99,999					5,638	7,305	1,667
28		1,080	800							
29		99,999	99,999							
30		99,999	99,999							
31		99,999	99,999							
32		99,999	99,999							
33		99,999	99,999							
34		99,999	99,999							
35		99,999	99,999							
36		99,999	99,999							
37		99,999	99,999							
38		99,999	99,999							
39		99,999	99,999							
40		99,999	99,999							
41		99,999	99,999							
42		99,999	99,999							
43		99,999	99,999							
44		99,999	99,999							
45		99,999	99,999							
46		99,999	99,999							
47		99,999	99,999							
48		99,999	99,999							
49		99,999	99,999							
50		99,999	99,999							
51		99,999	99,999							
52		99,999	99,999							
53		99,999	99,999							
54		99,999	99,999							
55		99,999	99,999							

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\*\*For Service Charges See Company-wide Service Charge Tariff at the end of this schedule\*\*

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Supporting Schedules:

ARIZONA WATER COMPANY  
Test Year Ended December 31, 2011  
Changes in Representative Rate Schedules

Line No.	Class of Service	Rate Block				Basic Service Charge				Volumetric Charge (M Gal)			
		Present	Settlement	Present Rate	Settlement Rate	Present Rate	Settlement Rate	Present Rate	Settlement Rate	Present Rate	Settlement Rate	Present Rate	Settlement Rate
1	Industrial 5/8 x 3/4 -inch	99,999	99,999	\$ 12.84	\$ 23.00	\$ 10.36		\$ 4,067	\$ 5,421	\$ 1,354		\$ 4,067	\$ 5,421
2		99,999	99,999					4,067	5,421	1,354		4,067	5,421
3		99,999	99,999					4,067	5,421	1,354		4,067	5,421
4		99,999	99,999					4,067	5,421	1,354		4,067	5,421
5	Industrial 1-inch	99,999	99,999	\$ 31.61	\$ 57.50	\$ 28.68		\$ 4,067	\$ 5,421	\$ 1,354		\$ 4,067	\$ 5,421
6		99,999	99,999					4,067	5,421	1,354		4,067	5,421
7		99,999	99,999					4,067	5,421	1,354		4,067	5,421
8		99,999	99,999					4,067	5,421	1,354		4,067	5,421
9	Industrial 1.5-inch	n/a	99,999	n/a	115.00	n/a		n/a	n/a	n/a		n/a	n/a
10		n/a	99,999					n/a	n/a	n/a		n/a	n/a
11		n/a	99,999					n/a	n/a	n/a		n/a	n/a
12		n/a	99,999					n/a	n/a	n/a		n/a	n/a
13	Industrial 2-inch	99,999	99,999	\$ 101.15	\$ 184.00	\$ 82.85		\$ 4,067	\$ 5,421	\$ 1,354		\$ 4,067	\$ 5,421
14		99,999	99,999					4,067	5,421	1,354		4,067	5,421
15		99,999	99,999					4,067	5,421	1,354		4,067	5,421
16		99,999	99,999					4,067	5,421	1,354		4,067	5,421
17	Industrial 3-inch	99,999	99,999	\$ 202.29	\$ 368.00	\$ 165.71		\$ 4,067	\$ 5,421	\$ 1,354		\$ 4,067	\$ 5,421
18		99,999	99,999					4,067	5,421	1,354		4,067	5,421
19		99,999	99,999					4,067	5,421	1,354		4,067	5,421
20		99,999	99,999					4,067	5,421	1,354		4,067	5,421
21	Industrial 4-inch	99,999	99,999	\$ 318.08	\$ 575.00	\$ 258.92		\$ 4,067	\$ 5,421	\$ 1,354		\$ 4,067	\$ 5,421
22		99,999	99,999					4,067	5,421	1,354		4,067	5,421
23		99,999	99,999					4,067	5,421	1,354		4,067	5,421
24		99,999	99,999					4,067	5,421	1,354		4,067	5,421
25	Industrial 6-inch	99,999	99,999	\$ 632.17	\$ 1,150.00	\$ 517.83		\$ 4,067	\$ 5,421	\$ 1,354		\$ 4,067	\$ 5,421
26		99,999	99,999					4,067	5,421	1,354		4,067	5,421
27		99,999	99,999					4,067	5,421	1,354		4,067	5,421
28		99,999	99,999					4,067	5,421	1,354		4,067	5,421
29	Industrial 8-inch	99,999	99,999	\$ 1,011.47	\$ 1,840.00	\$ 828.53		\$ 4,067	\$ 5,421	\$ 1,354		\$ 4,067	\$ 5,421
30		99,999	99,999					4,067	5,421	1,354		4,067	5,421
31		99,999	99,999					4,067	5,421	1,354		4,067	5,421
32		99,999	99,999					4,067	5,421	1,354		4,067	5,421
33		99,999	99,999					4,067	5,421	1,354		4,067	5,421
34	Industrial 10-inch	99,999	99,999	\$ 1,453.99	\$ 2,645.00	\$ 1,191.01		\$ 4,067	\$ 5,421	\$ 1,354		\$ 4,067	\$ 5,421
35		99,999	99,999					4,067	5,421	1,354		4,067	5,421
36		99,999	99,999					4,067	5,421	1,354		4,067	5,421
37		99,999	99,999					4,067	5,421	1,354		4,067	5,421
38	Private Fire Service			\$ 22.58	\$ 25.00	\$ 2.42		n/a	n/a	n/a		n/a	n/a
39													
40													
41													
42													
43													
44													
45													
46													
47													
48													
49													
50													
51													
52													
53													
54													
55													

(Continued)

\*\*For Service Charges See Company-wide Service Charge Tariff at the end of this schedule\*\*

ARIZONA WATER COMPANY  
Test Year Ended December 31, 2011  
Changes in Representative Rate Schedules

Line No.	Class of Service	Rate Block			Variable			Basic Service Charge			Volume Charge (M Gall)		
		(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)
		Present	Settlement	Present	Settlement	Present	Settlement	Present	Settlement	Present	Settlement	Present	Settlement
1	Public Fire Hydrant												
2													
3	Cohn Machine												
4													
5	Construction Water (2-Inch)												
6													
7													
8													
9	Construction Water (3-Inch)												
10													
11													
12													
13	Construction Water (4-Inch)												
14													
15													
16													
17	Sales for Resale (5/8-Inch)												
18													
19													
20													
21	Sales for Resale (1-Inch)												
22													
23													
24													
25	Sales for Resale (1.5-Inch)												
26													
27													
28													
29	Sales for Resale (2-Inch)												
30													
31													
32													
33	Sales for Resale (3-Inch)												
34													
35													
36													
37	Sales for Resale (4-Inch)												
38													
39													
40													
41	Sales for Resale (5-Inch)												
42													
43													
44													
45	Sales for Resale (6-Inch)												
46													
47													
48	Sales for Resale (8-Inch)												
49													
50													
51	Sales for Resale (10-Inch)												
52													
53													
54													
55													

\*\*For Service Charges See Company-wide Service Charge Tariff at the end of this schedule\*\*

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Supporting Schedules:

**ARIZONA WATER COMPANY**  
Test Year Ended December 31, 2011  
Changes in Representative Rate Schedules

Line No.	Class of Service	Rate Block			Basic Service Charge			Volumetric Charge (M Gal)		
		Present		Settlement	Present		Change	Present		Change
		Rate	Rate		Rate	Rate		Rate	Rate	
1	Residential 5/8 x 3/4 -inch			3	\$ 23.10	\$ 25.33	\$ 2.23	varies	\$ 2,121.0	varies
2				10				varies	3,552.7	varies
3				99,999				varies	4,486.0	varies
4				99,999						
5	Residential 1-inch			10	\$ 57.75	\$ 63.33	\$ 5.58	varies	\$ 3,552.7	varies
6				99,999				varies	4,486.0	varies
7				99,999				varies	4,486.0	varies
8				99,999						
9	Residential 1.5-inch			n/a	n/a	\$ 126.65	n/a	n/a	\$ 3,552.7	n/a
10				n/a				n/a	4,486.0	n/a
11				n/a				n/a	4,486.0	n/a
12				125	\$ 184.81	\$ 202.84	\$ 17.83	varies	\$ 3,552.7	varies
13	Residential 2-inch			99,999				varies	4,486.0	varies
14				99,999				varies	4,486.0	varies
15				99,999				varies	4,486.0	varies
16				99,999				varies	4,486.0	varies
17	Residential 3-inch			298	\$ 369.62	\$ 405.28	\$ 35.66	varies	\$ 3,552.7	varies
18				99,999				varies	4,486.0	varies
19				99,999				varies	4,486.0	varies
20				99,999				varies	4,486.0	varies
21	Residential 4-inch			493	\$ 577.54	\$ 633.25	\$ 55.71	varies	\$ 3,552.7	varies
22				99,999				varies	4,486.0	varies
23				99,999				varies	4,486.0	varies
24				99,999				varies	4,486.0	varies
25	Residential 6-inch			925	\$ 1,155.07	\$ 1,288.50	\$ 111.43	varies	\$ 3,552.7	varies
26				99,999				varies	4,486.0	varies
27				99,999				varies	4,486.0	varies
28				99,999				varies	4,486.0	varies
29	Residential 8-inch			1,500	\$ 1,848.12	\$ 2,028.40	\$ 178.28	varies	\$ 3,552.7	varies
30				99,999				varies	4,486.0	varies
31				99,999				varies	4,486.0	varies
32				99,999				varies	4,486.0	varies
33	Residential 10-inch			2,262	\$ 2,656.67	\$ 2,912.95	\$ 256.28	varies	\$ 3,552.7	varies
34				99,999				varies	4,486.0	varies
35				99,999				varies	4,486.0	varies
36				99,999				varies	4,486.0	varies
37				99,999				varies	4,486.0	varies
38				99,999				varies	4,486.0	varies
39				99,999				varies	4,486.0	varies
40				99,999				varies	4,486.0	varies
41				99,999				varies	4,486.0	varies
42				99,999				varies	4,486.0	varies
43				99,999				varies	4,486.0	varies
44				99,999				varies	4,486.0	varies
45				99,999				varies	4,486.0	varies
46				99,999				varies	4,486.0	varies
47				99,999				varies	4,486.0	varies
48				99,999				varies	4,486.0	varies
49				99,999				varies	4,486.0	varies
50				99,999				varies	4,486.0	varies
51				99,999				varies	4,486.0	varies
52				99,999				varies	4,486.0	varies
53				99,999				varies	4,486.0	varies
54				99,999				varies	4,486.0	varies
55				99,999				varies	4,486.0	varies

(Continued)

\*\*For Service Charges See Company-wide Service Charge Tariff at the end of this schedule\*\*

Recap Schedules:

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Processing Date: 4/22/2013 2:37 PM

Supporting Schedules:

ARIZONA WATER COMPANY  
Test Year Ended December 31, 2011  
Changes in Representative Rate Schedules

Line No.	Class of Service	Rate Block			Verde Valley (Sedona, Prescott, Flagstaff)			Volume Charge (M Gal)		
		Present	Settlement	Change	Basic Service Charge		Present Rate	Settlement Rate		Change
					Rate	Settlement Rate		Rate	Settlement Rate	
1	Commercial 5/8 x 3/4 -inch	10	10		\$ 23.10	\$ 25.00	\$ 1.90	varies	3,5527	varies
2		99,999	99,999					varies	4,4860	varies
3		99,999	99,999					varies	4,4860	varies
4		40	40		\$ 57.75	\$ 62.50	\$ 4.75	varies	3,5527	varies
5	Commercial 1-inch	99,999	99,999					varies	4,4860	varies
6		99,999	99,999					varies	4,4860	varies
7		75	75		n/a	125.00	n/a	n/a	3,5527	n/a
8	Commercial 1.5-inch	n/a	n/a					n/a	4,4860	n/a
9		n/a	n/a					n/a	4,4860	n/a
10		125	125		\$ 184.81	\$ 200.00	\$ 15.19	varies	3,5527	varies
11	Commercial 2-inch	99,999	99,999					varies	4,4860	varies
12		99,999	99,999					varies	4,4860	varies
13		300	300		\$ 369.62	\$ 400.00	\$ 30.38	varies	3,5527	varies
14	Commercial 3-inch	99,999	99,999					varies	4,4860	varies
15		99,999	99,999					varies	4,4860	varies
16		493	493		\$ 577.54	\$ 625.00	\$ 47.46	varies	3,5527	varies
17	Commercial 4-inch	99,999	99,999					varies	4,4860	varies
18		99,999	99,999					varies	4,4860	varies
19		925	925		\$ 1,155.07	\$ 1,250.00	\$ 94.93	varies	3,5527	varies
20	Commercial 6-inch	99,999	99,999					varies	4,4860	varies
21		99,999	99,999					varies	4,4860	varies
22		1,500	1,500		\$ 1,949.12	\$ 2,000.00	\$ 151.88	varies	3,5527	varies
23	Commercial 8-inch	99,999	99,999					varies	4,4860	varies
24		99,999	99,999					varies	4,4860	varies
25		2,252	2,252		\$ 2,856.67	\$ 2,875.00	\$ 218.33	varies	3,5527	varies
26	Commercial 10-inch	99,999	99,999					varies	4,4860	varies
27		99,999	99,999					varies	4,4860	varies
28		99,999	99,999					varies	4,4860	varies
29		99,999	99,999					varies	4,4860	varies
30		99,999	99,999					varies	4,4860	varies
31		99,999	99,999					varies	4,4860	varies
32		99,999	99,999					varies	4,4860	varies
33		99,999	99,999					varies	4,4860	varies
34		99,999	99,999					varies	4,4860	varies
35		99,999	99,999					varies	4,4860	varies
36		99,999	99,999					varies	4,4860	varies
37		99,999	99,999					varies	4,4860	varies
38		99,999	99,999					varies	4,4860	varies
39		99,999	99,999					varies	4,4860	varies
40		99,999	99,999					varies	4,4860	varies
41		99,999	99,999					varies	4,4860	varies
42		99,999	99,999					varies	4,4860	varies
43		99,999	99,999					varies	4,4860	varies
44		99,999	99,999					varies	4,4860	varies
45		99,999	99,999					varies	4,4860	varies
46		99,999	99,999					varies	4,4860	varies
47		99,999	99,999					varies	4,4860	varies
48		99,999	99,999					varies	4,4860	varies
49		99,999	99,999					varies	4,4860	varies
50		99,999	99,999					varies	4,4860	varies
51		99,999	99,999					varies	4,4860	varies
52		99,999	99,999					varies	4,4860	varies
53		99,999	99,999					varies	4,4860	varies
54		99,999	99,999					varies	4,4860	varies
55		99,999	99,999					varies	4,4860	varies

(Continued)

\*\*For Service Charges See Company-wide Service Charge Tariff at the end of this schedule\*\*

N:\2012\_Rate\_Case\Settlement\Final Settlement Schedules\2012 AWC Rate Case Settlement V3 2013 INTERVAL.dswt13  
Processing Date: 4/22/2013 2:57 PM

Supporting Schedules:

Verde Valley (Sedona, Phoenician, Rimrock)									
Rate Block									
Line No.	Class of Service	Present		Settlement		Basic Service Charge		Volume Charge (M Gal)	
		Rate	Change	Rate	Change	Rate	Change	Rate	Change
1	Industrial 5/8 x 3/4 -inch	99,999		99,999		\$ 21.74	\$ 25.00	varies	3,5527
2	Tier One Breakover (M Gal):	99,999		99,999				varies	3,5527
3	Tier Two Breakover (M Gal):	99,999		99,999				varies	3,5527
4	Tier Three Breakover (M Gal):	99,999		99,999				varies	3,5527
5	Industrial 1-inch	99,999		99,999		\$ 54.38	\$ 62.50	varies	3,5527
6	Tier One Breakover (M Gal):	99,999		99,999				varies	3,5527
7	Tier Two Breakover (M Gal):	99,999		99,999				varies	3,5527
8	Tier Three Breakover (M Gal):	99,999		99,999				varies	3,5527
9	Industrial 1.5-inch	n/a		n/a		n/a		n/a	n/a
10	Tier One Breakover (M Gal):	n/a		n/a				n/a	n/a
11	Tier Two Breakover (M Gal):	n/a		n/a				n/a	n/a
12	Tier Three Breakover (M Gal):	n/a		n/a				n/a	n/a
13	Industrial 2-inch	99,999		99,999		\$ 173.96	\$ 200.00	varies	3,5527
14	Tier One Breakover (M Gal):	99,999		99,999				varies	3,5527
15	Tier Two Breakover (M Gal):	99,999		99,999				varies	3,5527
16	Tier Three Breakover (M Gal):	99,999		99,999				varies	3,5527
17	Industrial 3-inch	99,999		99,999		\$ 347.92	\$ 400.00	varies	3,5527
18	Tier One Breakover (M Gal):	99,999		99,999				varies	3,5527
19	Tier Two Breakover (M Gal):	99,999		99,999				varies	3,5527
20	Tier Three Breakover (M Gal):	99,999		99,999				varies	3,5527
21	Industrial 4-inch	99,999		99,999		\$ 543.82	\$ 625.00	varies	3,5527
22	Tier One Breakover (M Gal):	99,999		99,999				varies	3,5527
23	Tier Two Breakover (M Gal):	99,999		99,999				varies	3,5527
24	Tier Three Breakover (M Gal):	99,999		99,999				varies	3,5527
25	Industrial 6-inch	99,999		99,999		\$ 1,087.25	\$ 1,250.00	varies	3,5527
26	Tier One Breakover (M Gal):	99,999		99,999				varies	3,5527
27	Tier Two Breakover (M Gal):	99,999		99,999				varies	3,5527
28	Tier Three Breakover (M Gal):	99,999		99,999				varies	3,5527
29	Industrial 8-inch	99,999		99,999		\$ 1,739.60	\$ 2,000.00	varies	3,5527
30	Tier One Breakover (M Gal):	99,999		99,999				varies	3,5527
31	Tier Two Breakover (M Gal):	99,999		99,999				varies	3,5527
32	Tier Three Breakover (M Gal):	99,999		99,999				varies	3,5527
33	Industrial 10-inch	99,999		99,999		\$ 2,500.67	\$ 2,875.00	varies	3,5527
34	Tier One Breakover (M Gal):	99,999		99,999				varies	3,5527
35	Tier Two Breakover (M Gal):	99,999		99,999				varies	3,5527
36	Tier Three Breakover (M Gal):	99,999		99,999				varies	3,5527
37	Private Fire Service					\$ 25.89	\$ 30.50	n/a	n/a

(Continued)

\*\*For Service Charges See Company-wide Service Charge Tariff at the end of this schedule\*\*

N:\2012\_Rate\_Case\Settlement\Final Settlement Schedules\2012 AWC Rate Case Settlement v3.20 13 INTERVAL.dwg  
Processing Date: 4/22/2013 2:37 PM

Supporting Schedules:

ARIZONA WATER COMPANY  
Test Year Ended December 31, 2011  
Changes in Representative Rate Schedules

Line No.	Class of Service	Rate Block		Basic Service Charge		Volumetric Charge (M Gal)	
		Rate Block		Basic Service Charge		Volumetric Charge (M Gal)	
		Present	Settlement	Present Rate	Settlement Rate	Present Rate	Settlement Rate
1	No. Gallons / \$ .25 (quarter)	125	125	n/a	n/a	n/a	n/a
2	Public Fire Hydrant	99,999	99,999	n/a	n/a	varies	varies
3	Coin Machine	99,999	99,999	n/a	n/a	64	64
4	Construction Water (2-inch)	99,999	99,999	\$ 164.81	\$ 200.00	varies	varies
5		99,999	99,999			varies	varies
6		99,999	99,999			varies	varies
7		99,999	99,999			varies	varies
8		99,999	99,999			varies	varies
9		99,999	99,999			varies	varies
10		99,999	99,999			varies	varies
11		99,999	99,999			varies	varies
12		99,999	99,999			varies	varies
13		99,999	99,999			varies	varies
14		99,999	99,999			varies	varies
15		99,999	99,999			varies	varies
16		99,999	99,999			varies	varies
17		99,999	99,999			varies	varies
18		99,999	99,999			varies	varies
19		99,999	99,999			varies	varies
20		99,999	99,999			varies	varies
21		99,999	99,999			varies	varies
22		99,999	99,999			varies	varies
23		99,999	99,999			varies	varies
24		99,999	99,999			varies	varies
25		99,999	99,999			varies	varies
26		99,999	99,999			varies	varies
27		99,999	99,999			varies	varies
28		99,999	99,999			varies	varies
29		99,999	99,999			varies	varies
30		99,999	99,999			varies	varies
31		99,999	99,999			varies	varies
32		99,999	99,999			varies	varies
33		99,999	99,999			varies	varies
34		99,999	99,999			varies	varies
35		99,999	99,999			varies	varies
36		99,999	99,999			varies	varies
37		99,999	99,999			varies	varies
38		99,999	99,999			varies	varies
39		99,999	99,999			varies	varies
40		99,999	99,999			varies	varies
41		99,999	99,999			varies	varies
42		99,999	99,999			varies	varies
43		99,999	99,999			varies	varies
44		99,999	99,999			varies	varies
45		99,999	99,999			varies	varies
46		99,999	99,999			varies	varies
47		99,999	99,999			varies	varies
48		99,999	99,999			varies	varies
49		99,999	99,999			varies	varies
50		99,999	99,999			varies	varies
51		99,999	99,999			varies	varies
52		99,999	99,999			varies	varies
53		99,999	99,999			varies	varies
54		99,999	99,999			varies	varies
55		99,999	99,999			varies	varies

\*\*For Service Charges See Company-wide Service Charge Tariff at the end of this schedule\*\*

Supporting Schedules:

N:2012\_Prate\_CaseSettlementFinal Settlement Schedules/2012 AWC Rate Case Settlement v3 20 13 INTERNAL June15  
Processing Date: 4/2/2013 2:57 PM

ARIZONA WATER COMPANY  
Test Year Ended December 31, 2011  
Changes in Representative Rate Schedules

Line No.	Class of Service	Rate Block					Yavapai Valley (Seasonal)					Volume Charge (M Gall)				
		[A]		[B]		[C]	[D]		[E]		[F]	[G]		[H]		[I]
		Present	Settlement	Present	Settlement		Present	Settlement	Present	Settlement		Present	Settlement	Present	Settlement	
1	Residential 5/8 x 3/4 -inch	3	3	\$ 23.10	\$ 25.33	3	\$ 23.10	\$ 25.33	\$ 2.23	\$ 2.23		\$ 1,917	\$ 1,917	\$ 2,121	\$ 2,121	\$ 0.5893
2		10	10			10						1,917	1,917	3,527	3,527	1.6360
3		99,999	99,999			99,999						2,3910	2,3910	4,4860	4,4860	2.0950
4																
5	Residential 1-inch	10	40	\$ 57.75	\$ 63.33	40	\$ 57.75	\$ 63.33	\$ 5.58	\$ 5.58		\$ 1,917	\$ 1,917	\$ 3,527	\$ 3,527	\$ 1.6360
6		99,999	99,999			99,999						2,3910	2,3910	4,4860	4,4860	2.0950
7		99,999	99,999			99,999						2,3910	2,3910	4,4860	4,4860	2.0950
8																
9	Residential 1.5-inch	n/a	75	n/a	128.65	75	n/a	128.65	n/a	n/a		n/a	n/a	3,527	3,527	n/a
10		n/a	99,999			99,999						n/a	n/a	4,4860	4,4860	n/a
11		n/a	99,999			99,999						n/a	n/a	4,4860	4,4860	n/a
12																
13	Residential 2-inch	125	125	\$ 164.81	\$ 202.64	125	\$ 164.81	\$ 202.64	\$ 17.83	\$ 17.83		\$ 1,917	\$ 1,917	\$ 3,527	\$ 3,527	\$ 1.6360
14		99,999	99,999			99,999						2,3910	2,3910	4,4860	4,4860	2.0950
15		99,999	99,999			99,999						2,3910	2,3910	4,4860	4,4860	2.0950
16																
17	Residential 3-inch	298	300	\$ 369.82	\$ 405.28	300	\$ 369.82	\$ 405.28	\$ 35.68	\$ 35.68		\$ 1,917	\$ 1,917	\$ 3,527	\$ 3,527	\$ 1.6360
18		99,999	99,999			99,999						2,3910	2,3910	4,4860	4,4860	2.0950
19		99,999	99,999			99,999						2,3910	2,3910	4,4860	4,4860	2.0950
20																
21	Residential 4-inch	493	500	\$ 577.54	\$ 639.25	500	\$ 577.54	\$ 639.25	\$ 65.71	\$ 65.71		\$ 1,917	\$ 1,917	\$ 3,527	\$ 3,527	\$ 1.6360
22		99,999	99,999			99,999						2,3910	2,3910	4,4860	4,4860	2.0950
23		99,999	99,999			99,999						2,3910	2,3910	4,4860	4,4860	2.0950
24																
25	Residential 6-inch	925	1,000	\$ 1,155.07	\$ 1,268.50	1,000	\$ 1,155.07	\$ 1,268.50	\$ 111.43	\$ 111.43		\$ 1,917	\$ 1,917	\$ 3,527	\$ 3,527	\$ 1.6360
26		99,999	99,999			99,999						2,3910	2,3910	4,4860	4,4860	2.0950
27		99,999	99,999			99,999						2,3910	2,3910	4,4860	4,4860	2.0950
28																
29	Residential 8-inch	1,500	1,500	\$ 1,848.12	\$ 2,028.40	1,500	\$ 1,848.12	\$ 2,028.40	\$ 175.28	\$ 175.28		\$ 1,917	\$ 1,917	\$ 3,527	\$ 3,527	\$ 1.6360
30		99,999	99,999			99,999						2,3910	2,3910	4,4860	4,4860	2.0950
31		99,999	99,999			99,999						2,3910	2,3910	4,4860	4,4860	2.0950
32																
33	Residential 10-inch	2,262	2,300	\$ 2,656.67	\$ 2,912.95	2,300	\$ 2,656.67	\$ 2,912.95	\$ 255.26	\$ 255.26		\$ 1,917	\$ 1,917	\$ 3,527	\$ 3,527	\$ 1.6360
34		99,999	99,999			99,999						2,3910	2,3910	4,4860	4,4860	2.0950
35		99,999	99,999			99,999						2,3910	2,3910	4,4860	4,4860	2.0950
36																
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(Continued)

\*\*For Service Charges See Company-wide Service Charge Tariff at the end of this schedule\*\*

Verde Valley (Seasonal)													
		[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]	[I]			
		Rate Block				Basic Service Charge			Volume Charge (M Gal)				
		Present		Settlement		Present		Settlement		Present		Settlement	
		Rate		Rate		Rate		Rate		Rate		Rate	
		Change		Change		Change		Change		Change		Change	

ARIZONA WATER COMPANY  
Test Year Ended December 31, 2011  
Changes in Representative Rate Schedules

Line No.	Class of Service	Verde Valley (Sedona)									
		[A]		[B]		[C]		[D]		[E]	
		Rate Block		Present		Settlement		Basic Service Charge		Volume Charge (M Gall)	
		Present	Settlement	Present	Settlement	Present	Settlement	Present	Settlement	Present	Settlement
1	Industrial 5/8 x 3/4 -inch	99,999	99,999	\$ 21.74	\$ 25.00	\$ 3.26	\$ 1,880.01	\$ 3,552.7	\$ 1,872.8	\$ 1,880.01	\$ 3,552.7
2		99,999	99,999				\$ 1,880.01	\$ 3,552.7	\$ 1,872.8	\$ 1,880.01	\$ 3,552.7
3		99,999	99,999				\$ 1,880.01	\$ 3,552.7	\$ 1,872.8	\$ 1,880.01	\$ 3,552.7
4		99,999	99,999				\$ 1,880.01	\$ 3,552.7	\$ 1,872.8	\$ 1,880.01	\$ 3,552.7
5	Industrial 1-inch	99,999	99,999	\$ 54.36	\$ 62.50	\$ 8.14	\$ 1,880.01	\$ 3,552.7	\$ 1,872.8	\$ 1,880.01	\$ 3,552.7
6		99,999	99,999				\$ 1,880.01	\$ 3,552.7	\$ 1,872.8	\$ 1,880.01	\$ 3,552.7
7		99,999	99,999				\$ 1,880.01	\$ 3,552.7	\$ 1,872.8	\$ 1,880.01	\$ 3,552.7
8		99,999	99,999				\$ 1,880.01	\$ 3,552.7	\$ 1,872.8	\$ 1,880.01	\$ 3,552.7
9	Industrial 1.5-inch	n/a	n/a	n/a	\$ 125.00	n/a	n/a	\$ 3,552.7	n/a	n/a	\$ 3,552.7
10		n/a	n/a				n/a	\$ 3,552.7	n/a	n/a	\$ 3,552.7
11		n/a	n/a				n/a	\$ 3,552.7	n/a	n/a	\$ 3,552.7
12		99,999	99,999	\$ 173.98	\$ 200.00	\$ 26.04	\$ 1,880.01	\$ 3,552.7	\$ 1,872.8	\$ 1,880.01	\$ 3,552.7
13	Industrial 2-inch	99,999	99,999				\$ 1,880.01	\$ 3,552.7	\$ 1,872.8	\$ 1,880.01	\$ 3,552.7
14		99,999	99,999				\$ 1,880.01	\$ 3,552.7	\$ 1,872.8	\$ 1,880.01	\$ 3,552.7
15		99,999	99,999				\$ 1,880.01	\$ 3,552.7	\$ 1,872.8	\$ 1,880.01	\$ 3,552.7
16		99,999	99,999				\$ 1,880.01	\$ 3,552.7	\$ 1,872.8	\$ 1,880.01	\$ 3,552.7
17	Industrial 3-inch	99,999	99,999	\$ 347.92	\$ 400.00	\$ 52.08	\$ 1,880.01	\$ 3,552.7	\$ 1,872.8	\$ 1,880.01	\$ 3,552.7
18		99,999	99,999				\$ 1,880.01	\$ 3,552.7	\$ 1,872.8	\$ 1,880.01	\$ 3,552.7
19		99,999	99,999				\$ 1,880.01	\$ 3,552.7	\$ 1,872.8	\$ 1,880.01	\$ 3,552.7
20		99,999	99,999				\$ 1,880.01	\$ 3,552.7	\$ 1,872.8	\$ 1,880.01	\$ 3,552.7
21	Industrial 4-inch	99,999	99,999	\$ 543.62	\$ 625.00	\$ 81.38	\$ 1,880.01	\$ 3,552.7	\$ 1,872.8	\$ 1,880.01	\$ 3,552.7
22		99,999	99,999				\$ 1,880.01	\$ 3,552.7	\$ 1,872.8	\$ 1,880.01	\$ 3,552.7
23		99,999	99,999				\$ 1,880.01	\$ 3,552.7	\$ 1,872.8	\$ 1,880.01	\$ 3,552.7
24		99,999	99,999				\$ 1,880.01	\$ 3,552.7	\$ 1,872.8	\$ 1,880.01	\$ 3,552.7
25	Industrial 6-inch	99,999	99,999	\$ 1,087.25	\$ 1,250.00	\$ 162.75	\$ 1,880.01	\$ 3,552.7	\$ 1,872.8	\$ 1,880.01	\$ 3,552.7
26		99,999	99,999				\$ 1,880.01	\$ 3,552.7	\$ 1,872.8	\$ 1,880.01	\$ 3,552.7
27		99,999	99,999				\$ 1,880.01	\$ 3,552.7	\$ 1,872.8	\$ 1,880.01	\$ 3,552.7
28		99,999	99,999				\$ 1,880.01	\$ 3,552.7	\$ 1,872.8	\$ 1,880.01	\$ 3,552.7
29	Industrial 8-inch	99,999	99,999	\$ 1,739.80	\$ 2,000.00	\$ 260.40	\$ 1,880.01	\$ 3,552.7	\$ 1,872.8	\$ 1,880.01	\$ 3,552.7
30		99,999	99,999				\$ 1,880.01	\$ 3,552.7	\$ 1,872.8	\$ 1,880.01	\$ 3,552.7
31		99,999	99,999				\$ 1,880.01	\$ 3,552.7	\$ 1,872.8	\$ 1,880.01	\$ 3,552.7
32		99,999	99,999				\$ 1,880.01	\$ 3,552.7	\$ 1,872.8	\$ 1,880.01	\$ 3,552.7
33	Industrial 10-inch	99,999	99,999	\$ 2,500.67	\$ 2,875.00	\$ 374.33	\$ 1,880.01	\$ 3,552.7	\$ 1,872.8	\$ 1,880.01	\$ 3,552.7
34		99,999	99,999				\$ 1,880.01	\$ 3,552.7	\$ 1,872.8	\$ 1,880.01	\$ 3,552.7
35		99,999	99,999				\$ 1,880.01	\$ 3,552.7	\$ 1,872.8	\$ 1,880.01	\$ 3,552.7
36		99,999	99,999				\$ 1,880.01	\$ 3,552.7	\$ 1,872.8	\$ 1,880.01	\$ 3,552.7
37	Private Fire Service			\$ 25.89	\$ 30.50	\$ 4.61	n/a	n/a	n/a	n/a	n/a

(Continued)

\*\*For Service Charges See Company-wide Service Charge Tariff at the end of this schedule\*\*

Supporting Schedules:

N2012\_Rate\_CaseSettlementFinal Settlement Schedule 2012 AWC Rate Case Settlement v3 20 13 INTERNAL.docx  
Processing Date: 4/22/2013 2:57 PM

ARIZONA WATER COMPANY  
Test Year Ended December 31, 2011  
Changes in Representative Rate Schedules

Line No.	Class of Service	Rate Block			Verde Valley (Seasonal)			Volumetric Charge (M Gal)		
		(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
			Present	Settlement	Present Rate	Settlement Rate	Change	Present Rate	Settlement Rate	Change
1	Public Fire Hydrant									
2										
3	Coil Machine									
4										
5	Construction Water (2-Inch)		125	125						
6			99,999	99,999						
7			99,999	99,999						
8										
9	Construction Water (3-Inch)		325	300						
10			99,999	99,999						
11			99,999	99,999						
12										
13	Construction Water (4-Inch)		500	500						
14			99,999	99,999						
15			99,999	99,999						
16										
17	Sales for Resale (5/8-Inch)		99,999	99,999						
18			99,999	99,999						
19			99,999	99,999						
20										
21	Sales for Resale (1-Inch)		99,999	99,999						
22			99,999	99,999						
23			99,999	99,999						
24										
25	Sales for Resale (1.5-Inch)		n/a	n/a						
26			n/a	n/a						
27			n/a	n/a						
28										
29	Sales for Resale (2-Inch)		99,999	99,999						
30			99,999	99,999						
31			99,999	99,999						
32										
33	Sales for Resale (3-Inch)		99,999	99,999						
34			99,999	99,999						
35			99,999	99,999						
36										
37	Sales for Resale (4-Inch)		99,999	99,999						
38			99,999	99,999						
39			99,999	99,999						
40										
41	Sales for Resale (6-Inch)		99,999	99,999						
42			99,999	99,999						
43			99,999	99,999						
44										
45	Sales for Resale (8-Inch)		99,999	99,999						
46			99,999	99,999						
47			99,999	99,999						
48										
49	Sales for Resale (10-Inch)		99,999	99,999						
50			99,999	99,999						
51			99,999	99,999						
52										
53										
54										
55										

\*\*For Service Charges See Company-wide Service Charge Tariff at the end of this schedule\*\*

Line No.	Class of Service	Rate Block				Basic Service Charge				Volumetric Charge (M Gal)			
		Present		Settlement		Present		Settlement		Present		Settlement	
		[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]	[I]	[J]	[K]	[L]
1	Residential 5/8 x 3/4 -inch		3	3	\$ 23.10	\$ 25.33	\$ 2.23	\$ 3,369.1	\$ 2,121.0	\$ 3,369.1	\$ 2,121.0	\$ 3,369.1	\$ 2,121.0
2	Tier One Breakover (M Gal):		10	10				4,236.1	4,236.1	4,236.1	4,236.1	4,236.1	4,236.1
3	Tier Two Breakover (M Gal):		99,999	99,999				5,295.4	5,295.4	5,295.4	5,295.4	5,295.4	5,295.4
4	Tier Three Breakover (M Gal):												
5	Residential 1-inch		10	40	\$ 57.75	\$ 63.33	\$ 5.58	\$ 4,236.1	\$ 3,552.7	\$ 4,236.1	\$ 3,552.7	\$ 4,236.1	\$ 3,552.7
6	Tier One Breakover (M Gal):		99,999	99,999				5,295.4	4,486.0	5,295.4	4,486.0	5,295.4	4,486.0
7	Tier Two Breakover (M Gal):		99,999	99,999				5,295.4	4,486.0	5,295.4	4,486.0	5,295.4	4,486.0
8	Tier Three Breakover (M Gal):												
9	Residential 1.5-inch		n/a	75	n/a	\$ 126.85	n/a	n/a	3,552.7	n/a	3,552.7	n/a	n/a
10	Tier One Breakover (M Gal):		99,999	99,999				n/a	4,486.0	n/a	4,486.0	n/a	n/a
11	Tier Two Breakover (M Gal):		99,999	99,999				n/a	4,486.0	n/a	4,486.0	n/a	n/a
12	Tier Three Breakover (M Gal):												
13	Residential 2-inch		125	125	\$ 164.81	\$ 202.64	\$ 17.83	\$ 4,236.1	\$ 3,552.7	\$ 4,236.1	\$ 3,552.7	\$ 4,236.1	\$ 3,552.7
14	Tier One Breakover (M Gal):		99,999	99,999				5,295.4	4,486.0	5,295.4	4,486.0	5,295.4	4,486.0
15	Tier Two Breakover (M Gal):		99,999	99,999				5,295.4	4,486.0	5,295.4	4,486.0	5,295.4	4,486.0
16	Tier Three Breakover (M Gal):												
17	Residential 3-inch		298	300	\$ 369.62	\$ 405.28	\$ 35.66	\$ 4,236.1	\$ 3,552.7	\$ 4,236.1	\$ 3,552.7	\$ 4,236.1	\$ 3,552.7
18	Tier One Breakover (M Gal):		99,999	99,999				5,295.4	4,486.0	5,295.4	4,486.0	5,295.4	4,486.0
19	Tier Two Breakover (M Gal):		99,999	99,999				5,295.4	4,486.0	5,295.4	4,486.0	5,295.4	4,486.0
20	Tier Three Breakover (M Gal):												
21	Residential 4-inch		493	500	\$ 577.54	\$ 633.25	\$ 55.71	\$ 4,236.1	\$ 3,552.7	\$ 4,236.1	\$ 3,552.7	\$ 4,236.1	\$ 3,552.7
22	Tier One Breakover (M Gal):		99,999	99,999				5,295.4	4,486.0	5,295.4	4,486.0	5,295.4	4,486.0
23	Tier Two Breakover (M Gal):		99,999	99,999				5,295.4	4,486.0	5,295.4	4,486.0	5,295.4	4,486.0
24	Tier Three Breakover (M Gal):												
25	Residential 6-inch		925	1,000	\$ 1,155.07	\$ 1,266.50	\$ 111.43	\$ 4,236.1	\$ 3,552.7	\$ 4,236.1	\$ 3,552.7	\$ 4,236.1	\$ 3,552.7
26	Tier One Breakover (M Gal):		99,999	99,999				5,295.4	4,486.0	5,295.4	4,486.0	5,295.4	4,486.0
27	Tier Two Breakover (M Gal):		99,999	99,999				5,295.4	4,486.0	5,295.4	4,486.0	5,295.4	4,486.0
28	Tier Three Breakover (M Gal):												
29	Residential 8-inch		1,500	1,500	\$ 1,948.12	\$ 2,026.40	\$ 178.28	\$ 4,236.1	\$ 3,552.7	\$ 4,236.1	\$ 3,552.7	\$ 4,236.1	\$ 3,552.7
30	Tier One Breakover (M Gal):		99,999	99,999				5,295.4	4,486.0	5,295.4	4,486.0	5,295.4	4,486.0
31	Tier Two Breakover (M Gal):		99,999	99,999				5,295.4	4,486.0	5,295.4	4,486.0	5,295.4	4,486.0
32	Tier Three Breakover (M Gal):												
33	Residential 10-inch		2,262	2,300	\$ 2,658.67	\$ 2,912.85	\$ 256.28	\$ 4,236.1	\$ 3,552.7	\$ 4,236.1	\$ 3,552.7	\$ 4,236.1	\$ 3,552.7
34	Tier One Breakover (M Gal):		99,999	99,999				5,295.4	4,486.0	5,295.4	4,486.0	5,295.4	4,486.0
35	Tier Two Breakover (M Gal):		99,999	99,999				5,295.4	4,486.0	5,295.4	4,486.0	5,295.4	4,486.0
36	Tier Three Breakover (M Gal):												

(Continued)

\*\*For Service Charges See Company-wide Service Charge Tariff at the end of this schedule.\*\*

ARIZONA WATER COMPANY  
Test Year Ended December 31, 2011  
Changes in Representative Rate Schedules

Verde Valley (Pinebrook, Rinovick)										
		(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
Line No.	Class of Service	Rate Block			Basic Service Charge			Volumetric Charge (M Gall)		
		Present	Settlement	Change	Present Rate	Settlement Rate	Change	Present Rate	Settlement Rate	Change
1	Commercial 5/8 x 3/4 -inch	10	10		\$ 23.10	\$ 25.00	\$ 1.90	\$ 4,236.1	\$ 3,552.7	\$ (0.6834)
2		99,999	99,999					5,295.4	4,486.0	(0.8094)
3		99,999	99,999					5,295.4	4,486.0	(0.8094)
4	Commercial 1-inch	40	40		\$ 57.75	\$ 62.50	\$ 4.75	\$ 4,236.1	\$ 3,552.7	\$ (0.6834)
5		99,999	99,999					5,295.4	4,486.0	(0.8094)
6		99,999	99,999					5,295.4	4,486.0	(0.8094)
7	Commercial 1.5-inch	n/a	75		n/a	125.00	n/a	n/a	n/a	n/a
8		n/a	99,999					n/a	n/a	n/a
9		99,999	99,999					n/a	n/a	n/a
10	Commercial 2-inch	125	125		\$ 184.81	\$ 200.00	\$ 15.19	\$ 4,236.1	\$ 3,552.7	\$ (0.6834)
11		99,999	99,999					5,295.4	4,486.0	(0.8094)
12		99,999	99,999					5,295.4	4,486.0	(0.8094)
13	Commercial 3-inch	298	300		\$ 369.62	\$ 400.00	\$ 30.38	\$ 4,236.1	\$ 3,552.7	\$ (0.6834)
14		99,999	99,999					5,295.4	4,486.0	(0.8094)
15		99,999	99,999					5,295.4	4,486.0	(0.8094)
16	Commercial 4-inch	493	500		\$ 577.54	\$ 625.00	\$ 47.46	\$ 4,236.1	\$ 3,552.7	\$ (0.6834)
17		99,999	99,999					5,295.4	4,486.0	(0.8094)
18		99,999	99,999					5,295.4	4,486.0	(0.8094)
19	Commercial 6-inch	925	1,000		\$ 1,155.07	\$ 1,250.00	\$ 94.93	\$ 4,236.1	\$ 3,552.7	\$ (0.6834)
20		99,999	99,999					5,295.4	4,486.0	(0.8094)
21		99,999	99,999					5,295.4	4,486.0	(0.8094)
22	Commercial 8-inch	1,500	1,500		\$ 1,848.12	\$ 2,000.00	\$ 151.88	\$ 4,236.1	\$ 3,552.7	\$ (0.6834)
23		99,999	99,999					5,295.4	4,486.0	(0.8094)
24		99,999	99,999					5,295.4	4,486.0	(0.8094)
25	Commercial 10-inch	2,262	2,300		\$ 2,656.67	\$ 2,875.00	\$ 218.33	\$ 4,236.1	\$ 3,552.7	\$ (0.6834)
26		99,999	99,999					5,295.4	4,486.0	(0.8094)
27		99,999	99,999					5,295.4	4,486.0	(0.8094)
28										
29										
30										
31										
32										
33										
34										
35										

(Continued)

\*\*For Service Charges See Company-wide Service Charge Tariff at the end of this schedule\*\*

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Supporting Schedules:

Line No.	Class of Service	Rate Block				Basic Service Charge				Volumetric Charge (M Gall)			
		Present		Settlement		Present		Settlement		Present		Settlement	
		(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)
1	Industrial 3/8 x 3/4 -inch		99,999	99,999		\$ 21.74	\$ 25.00	\$ 3.26		\$ 3,624.2	\$ 3,552.7	\$ (0.0715)	
2	Tier One Breakover (M Gall):		99,999	99,999							3,552.7	(0.0715)	
3	Tier Two Breakover (M Gall):		99,999	99,999							3,552.7	(0.0715)	
4	Tier Three Breakover (M Gall):		99,999	99,999							3,552.7	(0.0715)	
5	Industrial 1-inch		99,999	99,999		\$ 54.36	\$ 62.50	\$ 8.14		\$ 3,624.2	\$ 3,552.7	\$ (0.0715)	
6	Tier One Breakover (M Gall):		99,999	99,999							3,552.7	(0.0715)	
7	Tier Two Breakover (M Gall):		99,999	99,999							3,552.7	(0.0715)	
8	Tier Three Breakover (M Gall):		99,999	99,999							3,552.7	(0.0715)	
9	Industrial 1.5-inch		n/a	99,999		n/a	\$ 125.00	n/a		n/a	3,552.7	n/a	
10	Tier One Breakover (M Gall):		n/a	99,999						n/a	3,552.7	n/a	
11	Tier Two Breakover (M Gall):		n/a	99,999						n/a	3,552.7	n/a	
12	Tier Three Breakover (M Gall):		99,999	99,999							3,552.7	(0.0715)	
13	Industrial 2-inch		99,999	99,999		\$ 173.96	\$ 200.00	\$ 26.04		\$ 3,624.2	\$ 3,552.7	\$ (0.0715)	
14	Tier One Breakover (M Gall):		99,999	99,999							3,552.7	(0.0715)	
15	Tier Two Breakover (M Gall):		99,999	99,999							3,552.7	(0.0715)	
16	Tier Three Breakover (M Gall):		99,999	99,999							3,552.7	(0.0715)	
17	Industrial 3-inch		99,999	99,999		\$ 347.92	\$ 400.00	\$ 52.08		\$ 3,624.2	\$ 3,552.7	\$ (0.0715)	
18	Tier One Breakover (M Gall):		99,999	99,999							3,552.7	(0.0715)	
19	Tier Two Breakover (M Gall):		99,999	99,999							3,552.7	(0.0715)	
20	Tier Three Breakover (M Gall):		99,999	99,999							3,552.7	(0.0715)	
21	Industrial 4-inch		99,999	99,999		\$ 543.82	\$ 625.00	\$ 81.36		\$ 3,624.2	\$ 3,552.7	\$ (0.0715)	
22	Tier One Breakover (M Gall):		99,999	99,999							3,552.7	(0.0715)	
23	Tier Two Breakover (M Gall):		99,999	99,999							3,552.7	(0.0715)	
24	Tier Three Breakover (M Gall):		99,999	99,999							3,552.7	(0.0715)	
25	Industrial 6-inch		99,999	99,999		\$ 1,087.25	\$ 1,250.00	\$ 162.75		\$ 3,624.2	\$ 3,552.7	\$ (0.0715)	
26	Tier One Breakover (M Gall):		99,999	99,999							3,552.7	(0.0715)	
27	Tier Two Breakover (M Gall):		99,999	99,999							3,552.7	(0.0715)	
28	Tier Three Breakover (M Gall):		99,999	99,999							3,552.7	(0.0715)	
29	Industrial 8-inch		99,999	99,999		\$ 1,739.80	\$ 2,000.00	\$ 260.40		\$ 3,624.2	\$ 3,552.7	\$ (0.0715)	
30	Tier One Breakover (M Gall):		99,999	99,999							3,552.7	(0.0715)	
31	Tier Two Breakover (M Gall):		99,999	99,999							3,552.7	(0.0715)	
32	Tier Three Breakover (M Gall):		99,999	99,999							3,552.7	(0.0715)	
33	Industrial 10-inch		99,999	99,999		\$ 2,500.67	\$ 2,675.00	\$ 374.33		\$ 3,624.2	\$ 3,552.7	\$ (0.0715)	
34	Tier One Breakover (M Gall):		99,999	99,999							3,552.7	(0.0715)	
35	Tier Two Breakover (M Gall):		99,999	99,999							3,552.7	(0.0715)	
36	Tier Three Breakover (M Gall):		99,999	99,999							3,552.7	(0.0715)	
37	Private Fire Service:					\$ 25.89	\$ 30.50	\$ 4.61		n/a	n/a	n/a	

(Continued)

\*\*For Service Charges See Company-wide Service Charge Tariff at the end of this schedule\*\*

ARIZONA WATER COMPANY  
Test Year Ended December 31, 2011  
Changes in Representative Rate Schedules

Line No.	Class of Service	Rate Block		Basic Service Charge		Volumetric Charge (M Gal)	
		(A)	(B)	(C)	(D)	(E)	(F)
		Present	Settlement	Present Rate	Settlement Rate	Present Rate	Settlement Rate
1	Public Fire Hydrant	125	125	n/a	n/a	n/a	n/a
2	Public Fire Hydrant	99,999	99,999	n/a	n/a	53.78	64
3	Public Fire Hydrant	99,999	99,999	n/a	n/a	53.78	64
4	Public Fire Hydrant	99,999	99,999	n/a	n/a	53.78	64
5	Construction Water (2-inch)	125	125	184.81	200.00	4,236.1	3,552.7
6	Construction Water (2-inch)	99,999	99,999	184.81	200.00	4,236.1	3,552.7
7	Construction Water (2-inch)	99,999	99,999	184.81	200.00	4,236.1	3,552.7
8	Construction Water (2-inch)	99,999	99,999	184.81	200.00	4,236.1	3,552.7
9	Construction Water (3-inch)	298	300	369.62	400.00	4,236.1	3,552.7
10	Construction Water (3-inch)	99,999	99,999	369.62	400.00	4,236.1	3,552.7
11	Construction Water (3-inch)	99,999	99,999	369.62	400.00	4,236.1	3,552.7
12	Construction Water (3-inch)	99,999	99,999	369.62	400.00	4,236.1	3,552.7
13	Construction Water (4-inch)	500	500	677.54	625.00	4,236.1	3,552.7
14	Construction Water (4-inch)	99,999	99,999	677.54	625.00	4,236.1	3,552.7
15	Construction Water (4-inch)	99,999	99,999	677.54	625.00	4,236.1	3,552.7
16	Construction Water (4-inch)	99,999	99,999	677.54	625.00	4,236.1	3,552.7
17	Sales for Resale (5/8-inch)	99,999	99,999	23.10	25.00	4,236.1	3,552.7
18	Sales for Resale (5/8-inch)	99,999	99,999	23.10	25.00	4,236.1	3,552.7
19	Sales for Resale (5/8-inch)	99,999	99,999	23.10	25.00	4,236.1	3,552.7
20	Sales for Resale (5/8-inch)	99,999	99,999	23.10	25.00	4,236.1	3,552.7
21	Sales for Resale (1-inch)	99,999	99,999	57.75	62.50	4,236.1	3,552.7
22	Sales for Resale (1-inch)	99,999	99,999	57.75	62.50	4,236.1	3,552.7
23	Sales for Resale (1-inch)	99,999	99,999	57.75	62.50	4,236.1	3,552.7
24	Sales for Resale (1-inch)	99,999	99,999	57.75	62.50	4,236.1	3,552.7
25	Sales for Resale (1.5-inch)	n/a	n/a	n/a	125.00	n/a	n/a
26	Sales for Resale (1.5-inch)	n/a	n/a	n/a	125.00	n/a	n/a
27	Sales for Resale (1.5-inch)	n/a	n/a	n/a	125.00	n/a	n/a
28	Sales for Resale (1.5-inch)	n/a	n/a	n/a	125.00	n/a	n/a
29	Sales for Resale (2-inch)	99,999	99,999	184.81	200.00	4,236.1	3,552.7
30	Sales for Resale (2-inch)	99,999	99,999	184.81	200.00	4,236.1	3,552.7
31	Sales for Resale (2-inch)	99,999	99,999	184.81	200.00	4,236.1	3,552.7
32	Sales for Resale (2-inch)	99,999	99,999	184.81	200.00	4,236.1	3,552.7
33	Sales for Resale (3-inch)	99,999	99,999	369.62	400.00	4,236.1	3,552.7
34	Sales for Resale (3-inch)	99,999	99,999	369.62	400.00	4,236.1	3,552.7
35	Sales for Resale (3-inch)	99,999	99,999	369.62	400.00	4,236.1	3,552.7
36	Sales for Resale (3-inch)	99,999	99,999	369.62	400.00	4,236.1	3,552.7
37	Sales for Resale (4-inch)	99,999	99,999	577.54	625.00	4,236.1	3,552.7
38	Sales for Resale (4-inch)	99,999	99,999	577.54	625.00	4,236.1	3,552.7
39	Sales for Resale (4-inch)	99,999	99,999	577.54	625.00	4,236.1	3,552.7
40	Sales for Resale (4-inch)	99,999	99,999	577.54	625.00	4,236.1	3,552.7
41	Sales for Resale (6-inch)	99,999	99,999	1,155.07	1,250.00	4,236.1	3,552.7
42	Sales for Resale (6-inch)	99,999	99,999	1,155.07	1,250.00	4,236.1	3,552.7
43	Sales for Resale (6-inch)	99,999	99,999	1,155.07	1,250.00	4,236.1	3,552.7
44	Sales for Resale (6-inch)	99,999	99,999	1,155.07	1,250.00	4,236.1	3,552.7
45	Sales for Resale (8-inch)	99,999	99,999	1,848.12	2,000.00	4,236.1	3,552.7
46	Sales for Resale (8-inch)	99,999	99,999	1,848.12	2,000.00	4,236.1	3,552.7
47	Sales for Resale (8-inch)	99,999	99,999	1,848.12	2,000.00	4,236.1	3,552.7
48	Sales for Resale (8-inch)	99,999	99,999	1,848.12	2,000.00	4,236.1	3,552.7
49	Sales for Resale (10-inch)	99,999	99,999	2,856.67	2,875.00	4,236.1	3,552.7
50	Sales for Resale (10-inch)	99,999	99,999	2,856.67	2,875.00	4,236.1	3,552.7
51	Sales for Resale (10-inch)	99,999	99,999	2,856.67	2,875.00	4,236.1	3,552.7
52	Sales for Resale (10-inch)	99,999	99,999	2,856.67	2,875.00	4,236.1	3,552.7
53	Sales for Resale (10-inch)	99,999	99,999	2,856.67	2,875.00	4,236.1	3,552.7
54	Sales for Resale (10-inch)	99,999	99,999	2,856.67	2,875.00	4,236.1	3,552.7
55	Sales for Resale (10-inch)	99,999	99,999	2,856.67	2,875.00	4,236.1	3,552.7

\*\*For Service Charges See Company-wide Service Charge Tariff at the end of this schedule\*\*

Supporting Schedules:

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Northern Group		(A)	(B)
Line No.	Service Charge	Current Rate	Establishment Rate
1	Establishment	\$18.00	\$32.00
2	Guarantee Deposit	Residential - maximum: Two(2) times average customer class bill.	No Charge
3		Non-Residential-maximum: Two and one-half (2 1/2) times that customers estimated maximum monthly bill.	\$32.00
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ARIZONA WATER COMPANY  
Test Year Ended December 31, 2011  
Typical Bill Analysis

Line No.	Description	Base Rates	Surcharges (ACR/MSIC)	Monthly Consumption (M Gal)	Typical Bill			Increase	
					Base	Present Rates	Proposed Rates	Amount	Percent
1	Residential 5/8 x 3/4 -inch			6	\$ 12.64	\$	\$ 12.64	\$ 4.62	36.55%
2				15	35.74		35.74	4.12	11.52%
3				20	92.19		92.19	11.30	12.26%
4				25	122.98		122.98	17.04	13.86%
5	Present Rates			30	153.77		153.77	22.78	14.81%
6				35	184.56		184.56	28.52	15.45%
7				40	215.35		215.35	34.26	15.91%
8	Basic Service Charge:	\$ 12.64		45	246.14		246.14	39.99	16.25%
9				50	276.93		276.93	46.73	16.51%
10	Tier One Breakover (M Gal):	3		55	307.72		307.72	51.47	16.73%
11	Tier Two Breakover (M Gal):	10		60	338.51		338.51	57.21	16.90%
12	Tier Three Breakover (M Gal):	99,999		65	369.30		369.30	62.95	17.05%
13				70	400.09		400.09	68.69	17.17%
14	Tier One Rate:	\$ 4.2771		75	430.88		430.88	74.43	17.27%
15	Tier Two Rate:	5.1320		80	461.67		461.67	80.17	17.36%
16	Tier Three Rate:	6.1580		85	492.46		492.46	86.86	17.68%
17				90	523.25		523.25	92.55	17.88%
18	Proposed Rates - Staff Direct			95	554.04		554.04	98.25	18.00%
19				100	584.83		584.83	104.99	18.16%
20				105	615.62		615.62	111.73	18.32%
21	Basic Service Charge:	\$ 17.26		110	646.41		646.41	118.48	18.47%
22				115	677.20		677.20	125.22	18.63%
23	Tier One Breakover (M Gal):	10		120	707.99		707.99	131.96	18.77%
24	Tier Two Breakover (M Gal):	99,999		125	738.78		738.78	138.70	18.93%
25	Tier Three Breakover (M Gal):			130	769.57		769.57	145.44	19.10%
26				135	800.36		800.36	152.18	19.26%
27	Tier One Rate:	\$ 3.9180		140	831.15		831.15	158.92	19.42%
28	Tier Two Rate:	5.4213		145	861.94		861.94	165.66	19.58%
29	Tier Three Rate:	7.3058		150	892.73		892.73	172.40	19.74%
30				155	923.52		923.52	179.14	19.90%
31				160	954.31		954.31	185.88	20.06%
32				165	985.10		985.10	192.62	20.22%
33				170	1,015.89		1,015.89	199.36	20.38%
34				175	1,046.68		1,046.68	206.10	20.54%
35				180	1,077.47		1,077.47	212.84	20.70%
36				185	1,108.26		1,108.26	219.58	20.86%
37				190	1,139.05		1,139.05	226.32	21.02%
38				195	1,169.84		1,169.84	233.06	21.18%
39				200	1,200.63		1,200.63	239.80	21.34%
40				205	1,231.42		1,231.42	246.54	21.50%
41				210	1,262.21		1,262.21	253.28	21.66%
42				215	1,293.00		1,293.00	260.02	21.82%
43				220	1,323.79		1,323.79	266.76	21.98%
44				225	1,354.58		1,354.58	273.50	22.14%
45				230	1,385.37		1,385.37	280.24	22.30%
46				235	1,416.16		1,416.16	286.98	22.46%
47				240	1,446.95		1,446.95	293.72	22.62%
48				245	1,477.74		1,477.74	300.46	22.78%
49				250	1,508.53		1,508.53	307.20	22.94%
50				255	1,539.32		1,539.32	313.94	23.10%
51				260	1,570.11		1,570.11	320.68	23.26%
52				265	1,600.90		1,600.90	327.42	23.42%
53				270	1,631.69		1,631.69	334.16	23.58%
54				275	1,662.48		1,662.48	340.90	23.74%
55				280	1,693.27		1,693.27	347.64	23.90%

Average Usage: 3.2  
Median Usage: 1.2  
Standardized Usage: 7.5

Proposed Bill at Lifetime Usage (3.0 M Gal): \$ 29.01  
Cost of Service at Lifetime Usage (3.0 M Gal): \$ 34.12  
% Cost Discount at Lifetime Usage: 14.98%

Cost of Service at Average Usage: \$ 34.80  
% Cost Discount at Average Usage: 14.31%

Typical Bill Analysis									
Yearly Value (Seasonal, Proposed, Revised)									
(A)	(B)	(C)	(D)		(E)	(F)	(G)	(H)	(I)
Line No.	Description	Base Rates	Surcharges (ACR/MDS/IC)	Monthly Consumption (M Gall)	Typical Bill		Increase		
					Base	Present Rates Surcharge	Total	Amount	Percent
1	Residential 5/8 x 3/4 -inch			5	varies		varies	varies	varies
2				15	varies		varies	varies	varies
3				20	varies		varies	varies	varies
4				25	varies		varies	varies	varies
5				30	varies		varies	varies	varies
6				35	varies		varies	varies	varies
7				40	varies		varies	varies	varies
8				45	varies		varies	varies	varies
9	Basic Service Charge:	\$ 23.10			varies		varies	varies	varies
10	Tier One Breakover (M Gall):	3			varies		varies	varies	varies
11	Tier Two Breakover (M Gall):	10			varies		varies	varies	varies
12	Tier Three Breakover (M Gall):	99,999			varies		varies	varies	varies
13	Tier One Rate:	varies			varies		varies	varies	varies
14	Tier Two Rate:	varies			varies		varies	varies	varies
15	Tier Three Rate:	varies			varies		varies	varies	varies
16					varies		varies	varies	varies
17					varies		varies	varies	varies
18					varies		varies	varies	varies
19					varies		varies	varies	varies
20					varies		varies	varies	varies
21	Proposed Rates - Staff Direct:	\$ 25.33			varies		varies	varies	varies
22					varies		varies	varies	varies
23	Basic Service Charge:	3			varies		varies	varies	varies
24	Tier One Breakover (M Gall):	10			varies		varies	varies	varies
25	Tier Two Breakover (M Gall):	99,999			varies		varies	varies	varies
26	Tier Three Breakover (M Gall):				varies		varies	varies	varies
27	Tier One Rate:	2,121.0			varies		varies	varies	varies
28	Tier Two Rate:	3,552.7			varies		varies	varies	varies
29	Tier Three Rate:	4,486.0			varies		varies	varies	varies
30					varies		varies	varies	varies
31					varies		varies	varies	varies
32					varies		varies	varies	varies
33					varies		varies	varies	varies
34					varies		varies	varies	varies
35					varies		varies	varies	varies
36					varies		varies	varies	varies
37					varies		varies	varies	varies
38					varies		varies	varies	varies
39					varies		varies	varies	varies
40					varies		varies	varies	varies
41					varies		varies	varies	varies
42					varies		varies	varies	varies
43					varies		varies	varies	varies
44					varies		varies	varies	varies
45					varies		varies	varies	varies
46					varies		varies	varies	varies
47					varies		varies	varies	varies
48					varies		varies	varies	varies
38					varies		varies	varies	varies
39					varies		varies	varies	varies
40					varies		varies	varies	varies
41					varies		varies	varies	varies
42					varies		varies	varies	varies
43					varies		varies	varies	varies
44					varies		varies	varies	varies
45					varies		varies	varies	varies
46					varies		varies	varies	varies
47					varies		varies	varies	varies
48					varies		varies	varies	varies
49					varies		varies	varies	varies
50					varies		varies	varies	varies
					Average Usage:		varies	\$ 43.16	varies
					Median Usage:		varies	\$ 32.92	varies
					Standardized Usage:		varies	\$ 47.88	varies
					Proposed Bill at Lifeline Usage (3.0 M Gall):			\$ 31.69	
					Cost of Service at Lifeline Usage (3.0 M Gall):			\$ 37.28	
					% Cost Discount at Lifeline Usage:			14.95%	
					Cost of Service at Average Usage:			\$ 49.54	
					% Cost Discount at Average Usage:			12.68%	

ARIZONA WATER COMPANY  
Test Year Ended December 31, 2011  
Typical Bill Analysis

Line No.	Description	Base Rate	Surcharges (ACRWDSIC)	Monthly Consumption (M Gall)	Present Rates			Proposed Rates			Increase	
					Base	Surcharge	Total	Base	Surcharge	Total	Amount	Percent
1	Residential 5/8 x 3/4 - Inch	\$ 23.10	\$ 2.87	5	\$ 23.10	\$ 2.87	\$ 25.97	\$ 25.33	\$ 2.87	\$ 28.20	\$ (0.64)	-2.46%
2				15	31.52	4.24	35.76	36.80	4.24	41.04	5.28	14.79%
3				20	53.05	8.99	62.04	60.03	8.99	69.02	6.98	11.25%
4				25	65.01	8.34	73.35	70.42	8.34	78.76	5.41	7.37%
5				30	76.96	9.71	86.67	82.65	9.71	92.36	5.69	6.56%
6				35	88.92	11.08	100.00	94.28	11.08	105.36	5.36	5.36%
7				40	100.87	12.45	113.32	106.71	12.45	119.16	5.84	5.38%
8	Basic Service Charge:	\$ 23.10	\$ 2.87	40	\$ 112.83	\$ 13.82	\$ 126.65	\$ 119.14	\$ 13.82	\$ 132.96	\$ 6.31	5.23%
9				45	124.78	15.19	139.97	132.57	15.19	147.76	\$ 7.79	5.63%
10	Tier One Breakover (M Gall):	3		50	136.74	16.58	153.32	145.00	16.58	161.58	\$ 8.26	5.39%
11	Tier Two Breakover (M Gall):	10		55	148.69	17.92	166.61	157.33	17.92	175.25	\$ 8.62	5.15%
12	Tier Three Breakover (M Gall):	99,999		60	160.65	19.29	179.94	169.66	19.29	188.95	\$ 9.29	5.47%
13				65	172.60	20.66	193.26	182.00	20.66	202.66	\$ 9.40	4.89%
14	Tier One Rate:	\$ 1.5317	\$ 0.2737	70	\$ 184.56	\$ 22.03	\$ 206.59	\$ 193.19	\$ 22.03	\$ 215.22	\$ 8.63	4.36%
15	Tier Two Rate:	1.9147	0.2737	75	196.51	23.40	219.91	205.83	23.40	229.23	\$ 13.40	6.46%
16	Tier Three Rate:	2.3910	0.2737	100	258.29	30.24	288.53	268.30	30.24	308.54	\$ 20.24	7.50%
17				150	375.84	43.93	419.77	389.60	43.93	433.53	\$ 43.93	10.48%
18				200	493.39	57.81	551.20	500.00	57.81	557.81	\$ 57.81	11.56%
19	Proposed Rates - Staff Direct			250	614.94	71.30	686.23	614.94	71.30	686.23	\$ 71.30	11.59%
20				300	734.49	84.98	819.47	734.49	84.98	819.47	\$ 84.98	11.57%
21				350	854.04	98.67	952.70	854.04	98.67	952.70	\$ 98.67	11.55%
22	Basic Service Charge:	\$ 25.33	\$ 2.87	400	\$ 1093.14	\$ 126.04	\$ 1219.17	\$ 1093.14	\$ 126.04	\$ 1219.17	\$ 126.04	10.59%
23				450	1212.69	139.72	1352.41	1212.69	139.72	1352.41	\$ 139.72	11.52%
24	Tier One Breakover (M Gall):	3		500	1332.24	153.41	1485.64	1270.98	153.41	1424.39	\$ 61.25	4.29%
25	Tier Two Breakover (M Gall):	10		550	1451.79	167.09	1618.88	1358.28	167.09	1525.37	\$ 263.51	17.27%
26	Tier Three Breakover (M Gall):	99,999		600	1571.34	180.78	1752.11	1451.79	180.78	1632.57	\$ 119.54	7.93%
27				650	1690.89	194.46	1885.35	1571.34	194.46	1765.80	\$ 119.55	6.77%
28	Tier One Rate:	\$ 2.1210	\$ 0.2737	700	\$ 1810.44	\$ 208.15	\$ 2018.59	\$ 1690.89	\$ 208.15	\$ 1899.04	\$ 119.55	6.32%
29	Tier Two Rate:	3.5327	0.2737	750	1929.99	221.83	2151.82	1810.44	221.83	2032.27	\$ 119.55	5.88%
30	Tier Three Rate:	4.4860	0.2737	800	2049.54	235.52	2285.06	1929.99	235.52	2165.51	\$ 119.55	5.52%
31				850	2169.09	249.20	2418.29	2049.54	249.20	2298.74	\$ 119.55	5.21%
32				900	2288.64	262.88	2551.52	2169.09	262.88	2431.97	\$ 119.55	4.91%
33				1,000	2408.19	276.57	2684.76	2288.64	276.57	2565.21	\$ 119.55	4.69%
34				1,500	3,603.69	413.42	4,017.11	2408.19	413.42	2,821.61	\$ 1,195.50	42.50%
35				2,000	4,798.19	550.27	5,348.46	3,603.69	550.27	4,153.96	\$ 1,194.50	28.75%
36				2,500	5,994.69	687.12	6,681.81	4,798.19	687.12	5,485.31	\$ 1,196.50	24.59%
37				3,000	7,190.18	823.97	8,014.16	5,994.69	823.97	6,818.66	\$ 1,195.50	17.72%
38											\$ 1,195.50	14.99%
39											\$ 1,195.50	14.99%
40											\$ 1,195.50	14.99%
41											\$ 1,195.50	14.99%
42											\$ 1,195.50	14.99%
43											\$ 1,195.50	14.99%
44											\$ 1,195.50	14.99%
45											\$ 1,195.50	14.99%
46											\$ 1,195.50	14.99%
47											\$ 1,195.50	14.99%
48											\$ 1,195.50	14.99%
49											\$ 1,195.50	14.99%
50											\$ 1,195.50	14.99%
51											\$ 1,195.50	14.99%
52											\$ 1,195.50	14.99%
53											\$ 1,195.50	14.99%
54											\$ 1,195.50	14.99%
55											\$ 1,195.50	14.99%

Average Usage: 8.8  
Median Usage: 6.2  
Standardized Usage: 7.5

Proposed Bill at Lifetime Usage (3.0 M Gall): \$ 31.59  
Cost of Service at Lifetime Usage (3.0 M Gall): \$ 37.25  
% Cost Discount at Lifetime Usage: 14.99%

Cost of Service at Average Usage: \$ 59.13  
% Cost Discount at Average Usage: 11.84%

ARIZONA WATER COMPANY  
Test Year Ended December 31, 2011  
Typical Bill Analysis

Supporting Schedules:

N:2012\_Rate\_Case Settlement Final Settlement Schedule 2012 AWC Rate Case Settlement v3 20 13 INTERNAL\_080414  
Processing Date: 4/22/2013 2:48 PM

Line No.	Description	Base Rates	Surcharges (ACR/MDS/C)	Monthly Consumption (M Gall)	Typical Bill			Increase		
					Base	Present Rates	Proposed Rates - Staff Direct	Amount	Percent	
1	Residential 5/8 x 3/4 - Inch			5	\$ 23.10	\$ -	\$ 23.10	\$ 2.23	9.65%	
2				15	41.74	-	41.74	(2.94)	-7.05%	
3				20	89.40	-	89.40	(10.41)	-11.64%	
4				25	115.87	-	115.87	(14.45)	-12.47%	
5				30	142.35	-	142.35	(18.50)	-13.00%	
6				35	168.83	-	168.83	(22.55)	-13.36%	
7				40	195.31	-	195.31	(26.59)	-13.62%	
8				45	221.78	-	221.78	(30.64)	-13.82%	
9				50	248.26	-	248.26	(34.69)	-13.97%	
10				55	274.74	-	274.74	(38.74)	-14.10%	
11				60	301.21	-	301.21	(42.78)	-14.20%	
12				65	327.69	-	327.69	(46.83)	-14.28%	
13				70	354.17	-	354.17	(50.88)	-14.37%	
14				75	380.64	-	380.64	(54.92)	-14.43%	
15				80	407.12	-	407.12	(58.97)	-14.48%	
16				85	433.60	-	433.60	(63.01)	-14.53%	
17				90	460.08	-	460.08	(67.06)	-14.58%	
18				95	486.56	-	486.56	(71.10)	-14.63%	
19				100	513.04	-	513.04	(75.15)	-14.68%	
20				105	539.52	-	539.52	(79.19)	-14.73%	
21				110	566.00	-	566.00	(83.24)	-14.78%	
22				115	592.48	-	592.48	(87.28)	-14.83%	
23				120	618.96	-	618.96	(91.33)	-14.88%	
24				125	645.44	-	645.44	(95.37)	-14.93%	
25				130	671.92	-	671.92	(99.42)	-14.98%	
26				135	698.40	-	698.40	(103.46)	-15.03%	
27				140	724.88	-	724.88	(107.51)	-15.08%	
28				145	751.36	-	751.36	(111.55)	-15.13%	
29				150	777.84	-	777.84	(115.60)	-15.18%	
30				155	804.32	-	804.32	(119.64)	-15.23%	
31				160	830.80	-	830.80	(123.69)	-15.28%	
32				165	857.28	-	857.28	(127.73)	-15.33%	
33				170	883.76	-	883.76	(131.78)	-15.38%	
34				175	910.24	-	910.24	(135.82)	-15.43%	
35				180	936.72	-	936.72	(139.87)	-15.48%	
36				185	963.20	-	963.20	(143.91)	-15.53%	
37				190	989.68	-	989.68	(147.96)	-15.58%	
38				195	1016.16	-	1016.16	(152.00)	-15.63%	
39				200	1042.64	-	1042.64	(156.05)	-15.68%	
40				205	1069.12	-	1069.12	(160.09)	-15.73%	
41				210	1095.60	-	1095.60	(164.14)	-15.78%	
42				215	1122.08	-	1122.08	(168.18)	-15.83%	
43				220	1148.56	-	1148.56	(172.23)	-15.88%	
44				225	1175.04	-	1175.04	(176.27)	-15.93%	
45				230	1201.52	-	1201.52	(180.32)	-15.98%	
46				235	1228.00	-	1228.00	(184.36)	-16.03%	
47				240	1254.48	-	1254.48	(188.41)	-16.08%	
48				245	1280.96	-	1280.96	(192.45)	-16.13%	
49				250	1307.44	-	1307.44	(196.50)	-16.18%	
50				255	1333.92	-	1333.92	(200.54)	-16.23%	
51				260	1360.40	-	1360.40	(204.59)	-16.28%	
52				265	1386.88	-	1386.88	(208.63)	-16.33%	
53				270	1413.36	-	1413.36	(212.68)	-16.38%	
54				275	1439.84	-	1439.84	(216.72)	-16.43%	
55				280	1466.32	-	1466.32	(220.77)	-16.48%	

# **EXHIBIT 1**

ARIZONA WATER COMPANY

PHASE 2--EASTERN GROUP GENERAL RATE CASE

SETTLEMENT AGREEMENT  
REGARDING DISTRIBUTION SYSTEM IMPROVEMENT CHARGE ("DSIC")  
AND OTHER DSIC-LIKE PROPOSALS

SETTLEMENT AGREEMENT ON DSIC AND DSIC-LIKE PROPOSALS  
AND  
LIST OF SIGNATORY PARTIES

The purpose of this Settlement Agreement ("Agreement") is to settle specific, identified remaining issues related to Phase 2 of Docket No. W-01445A-11-0310, Arizona Water Company's ("AWC" or "Company") application to increase rates for its Eastern Group of systems as identified in its August 5, 2011 application ("Rate Case"). These remaining issues relate to a DSIC proposal presented by AWC in the Rate Case and the parties' responses to that proposal, including presentation of DSIC-like proposals. This Agreement is entered into by the following entities:

Arizona Water Company

Arizona Corporation Commission Utilities Division ("Staff")

Global Water – Palo Verde Utilities Company, Global Water – Santa Cruz Water Company, Valencia Water Company- Town Division, Valencia Water Company – Greater Buckeye Division, Water Utility of Greater Tonopah, Willow Valley Water Co. and Water Utility of Northern Scottsdale (collectively the "Global Utilities")

EPCOR Water Arizona Inc.

Rio Rico Utilities, Inc. dba Liberty Utilities ("Liberty Utilities")

The Water Utility Association of Arizona ("WUAA")

Arizona Investment Council ("AIC")

These entities shall be referred to collectively as the "Signatory Parties."

## TERMS AND CONDITIONS

In consideration of the promises and agreements contained in this Agreement, the Signatory Parties agree that the following numbered sections and subsections, including attached exhibits and schedules, comprise the Signatory Parties' Agreement.

### 1.0 RECITALS

1.1 Docket No. W-01445A-11-0310 was commenced by the filing of a rate application by AWC on August 5, 2011. AWC's application ("Application"), among other relief, proposed that the Arizona Corporation Commission ("ACC" or "Commission") adopt a Distribution System Improvement Charge ("DSIC").

1.2 Following a sufficiency finding by Staff on September 6, 2011, RUCO filed an Application to Intervene on September 14, 2011. Kathie Wyatt filed an Application to Intervene on October 20, 2011.

1.3 The Administrative Law Judge granted the applications to intervene filed by RUCO and Kathie Wyatt. No other persons or entities intervened in the Rate Case or participated in the proceedings until after the Commission entered its Decision No. 73736 on February 20, 2013.

1.4 The Administrative Law Judge scheduled an evidentiary hearing on the Application to commence on May 14, 2012. The evidentiary hearing closed on May 24, 2012. Testimony and exhibits were presented by AWC, RUCO, and Staff. Kathie Wyatt did not appear.

1.5 Following post-hearing briefing, the Administrative Law Judge issued a Recommended Opinion and Order ("ROO") on January 30, 2013. AWC and RUCO filed exceptions to the ROO and Staff responded to AWC's exceptions. In addition, amendments to the ROO were presented at the Open Meeting at which the Commission considered the ROO on February 12, 2013. At the Open Meeting on that date, the Commission voted 5-0 to adopt Decision No. 73736, and reopened intervention for the limited purpose of discussing AWC's DSIC proposal, other DSIC-like proposals, and the possibility of achieving a settlement or compromise on the two. On February 21, 2013, the Administrative Law Judge issued a Procedural Order setting forth a schedule for the determination of the remaining issues in Phase 2 of the Rate Case (the "Phase 2 Proceedings").

1.6 The Global Utilities, EPCOR Water Arizona Inc., Liberty Utilities, WUAA, Arizona Investment Council and the City of Globe moved to intervene and were granted intervention in the Phase 2 Proceedings. Staff filed a notice of settlement discussions on February 21, 2013, setting settlement discussions in the Phase 2 Proceedings for March 4, 2013. The Signatory Parties and Kathie Wyatt were notified of the settlement discussion process, were encouraged to participate in the negotiations, and were provided with an equal opportunity to participate. Formal settlement discussions between the Signatory Parties began on the scheduled date of March 4, 2013. Kathie Wyatt did not appear or participate. A settlement was reached on all issues in the Phase 2 Proceedings by the participating Signatory Parties.

1.7 The Signatory Parties agree that the negotiation process undertaken in this matter was open, transparent and inclusive of all Signatory Parties, with each such party having an equal opportunity to participate. All Signatory Parties attended and actively participated in the settlement discussions. This Agreement is a result of those meetings and the Signatory Parties' good faith efforts to settle all of the issues presented in the Phase 2 Proceedings.

1.8 The purpose of this Agreement is to document the settlement of all issues presented in the Phase 2 Proceedings in a manner that will promote the public interest and provide for a prompt resolution of the issues on the schedule ordered by the Commission.

1.9 The Signatory Parties agree that the terms of this Agreement will serve the public interest by providing a just and reasonable resolution of the issues presented in the Phase 2 Proceedings and promoting the health, welfare and safety of customers. Commission approval of this Agreement will further serve the public interest by allowing the Signatory Parties to avoid the expense and delay associated with continued litigation of the Phase 2 Proceedings.

1.10 The Signatory Parties agree to ask the Commission to (1) find that the terms and conditions of this Agreement are just and reasonable and in the public interest, along with all other necessary findings, and (2) approve the Agreement and order that the Agreement and the System Improvement Benefits ("SIB") mechanism contained herein shall become effective at the earliest practicable date.

## 2.0 SYSTEM IMPROVEMENT BENEFITS ("SIB") MECHANISM

2.1 It is necessary for AWC to undertake a variety of system improvements in order to maintain adequate and reliable service to existing customers. AWC is also required to complete certain system improvements in order to comply with requirements imposed by law. The Signatory Parties acknowledge that these projects are necessary to provide proper, adequate and reliable service to existing customers; are not designed to serve or promote customer growth; and will not comprise an upgrade or expansion of existing plant unless justified for existing customers per Section 6.3.3.

2.2 Both the cost of these projects and the timing of their proposed completion and other factors set forth in the record create a circumstance for AWC that justifies the implementation of a SIB mechanism.

2.3 For ratemaking purposes and for the purposes of this Agreement, the Signatory Parties agree that the Commission may authorize a SIB mechanism for AWC in Docket W-01455A-11-0310. The SIB mechanism is a ratemaking device designed to provide for the timely recovery of the capital costs (depreciation expense and pre-tax return on investment) associated with distribution system improvement projects meeting the requirements contained herein and that have been completed and placed in service and where costs have not been included for recovery in Decision No. 73736.

2.4 A list of these projects and an estimation of the capital costs of each is set forth in SIB Plant Table I, attached hereto as Exhibit A

2.5 AWC may seek a SIB surcharge for projects on SIB Plant Table I that have been completed and placed into service, per SIB Plant Table II (Exhibit C).

### **3.0 CALCULATION OF AMOUNTS TO BE COLLECTED BY THE SIB SURCHARGE**

3.1 The amount to be collected by the SIB surcharge ("SIB Authorized Revenue") shall be equal to the SIB revenue requirement minus the SIB efficiency credit.

3.2 The SIB revenue requirement is equal to the required pre-tax return on investment and depreciation expense associated with SIB-eligible projects that have been completed and placed into service, per SIB Plant Table II (Exhibit C), net of associated retirements. For such calculation:

3.2.1 The required rate of return is equal to the overall rate of return authorized in Decision No. 73736.

3.2.2 The gross revenue conversion factor/tax multiplier is equal to the gross revenue conversion factor/tax multiplier approved in Decision No. 73736 and;

3.2.3 The applicable depreciation rate(s) is equal to the depreciation rate(s) approved in Decision No. 73736.

3.3 The SIB Efficiency Credit shall be equal to five percent of the SIB revenue requirement.

3.4 The amount to be collected by each SIB surcharge filing shall be capped annually at five percent of the revenue requirement authorized in Decision No. 73736.

### **4.0 TIMING AND FREQUENCY OF SIB FILINGS**

4.1 For ratemaking purposes and for purposes of this Agreement, the Signatory Parties agree that:

4.2 AWC may make its initial SIB surcharge filing no earlier than twelve months after the entry of Decision No. 73736.

4.3 Any subsequent SIB surcharge filings shall be made within sixty (60) days of the end of the previous twelve (12)-month SIB surcharge period.

4.4 AWC may make no more than one (1) SIB surcharge filing every twelve (12) months.

4.5 AWC is permitted no more than five (5) SIB surcharge filings between rate case decisions.

4.6 Unless otherwise authorized by the Commission, AWC (Eastern Group) shall be required to file its next general rate case no later than August 31, 2016 with a test year ending no later than December 31, 2015.

4.7 Any SIB surcharges that are in effect shall be reset to zero upon the date new rates become effective in AWC's next general rate case.

4.8 Every six (6) months AWC shall file a report with Docket Control delineating the status of all SIB eligible projects listed per SIB Plant Table I above, and may include modifications to that list for approval by the Commission using the process referenced in Section 6.0.

4.9 AWC shall make an annual SIB surcharge filing to true-up its collections under the SIB surcharge and establish the surcharge for the new surcharge period. A new SIB surcharge may be combined with an existing SIB surcharge such that a single SIB surcharge and SIB efficiency credit are shown on a customer's bill.

## 5.0 RECONCILIATION AND TRUE-UPS

5.1 The revenue collected by the SIB surcharge over the preceding twelve months shall be true-up and reconciled with the SIB Authorized Revenue for that period.

5.2 For each twelve (12) month period that a SIB surcharge is in effect, AWC shall reconcile the amounts collected by the SIB surcharge with the SIB Authorized Revenue, for that twelve (12)-month period, consistent with Schedule B, attached hereto as Exhibit B.

5.3 Any under- or over-collected SIB revenues shall be recovered or refunded, without interest, over a twelve-month period by means of a fixed monthly true-up surcharge or credit.

5.4 Starting with the second annual SIB surcharge, where there are over/under-collected balances related to the previous annual SIB surcharge, such over/under-collected balances shall be carried over to the next year, and capped to the extent annual revenues do not exceed the five percent cap. If, after the five year period there remains an over/under-collected balance, such balance shall be reset to zero, and any over/under-collected balance shall be addressed in the Company's next rate case for the Eastern Group.

## 6.0 ADDING PROJECTS TO SIB PLANT TABLE I

6.1 For ratemaking purposes and for purposes of this Agreement, the Signatory Parties agree that AWC, during the period to which the SIB applies, may request Commission authorization to modify or add other projects to SIB Plant Table I. Such additional projects may be added to SIB Plant Table I if they satisfy the criteria set forth in Paragraphs 6.2, 6.3, and 6.4.

6.2 To be eligible for SIB recovery, an asset must be utility plant investment that represents expenditures made by the Company to maintain or improve existing customer service and system reliability, integrity and safety. Eligible plant additions are limited to replacement projects. The costs of extending facilities or capacity to serve new customers are not recoverable through the SIB mechanism.

6.3 To be eligible for SIB recovery, a project must be a distribution system improvement that satisfies at least one of the following criteria:

6.3.1 Water loss for the system exceeds ten (10) percent, as calculated by the following formula:

6.3.1.1 
$$\frac{(\text{Volume of Water Produced} - (\text{Volume of Water Sold} + \text{Volume of Water Put to Beneficial Use}))}{(\text{Volume of Water Produced})}$$
 If the Volume of Water Put to Beneficial Use is not metered, it shall be established in a reliable, verifiable manner;

6.3.2 Water Utility plant assets have remained in service beyond their useful service lives (based on that system's authorized utility plant depreciation rates) and are in need of replacement due to being worn out or in a deteriorating condition through no fault of the Company;

6.3.3 Any other engineering, operational or financial justification supporting the need for a plant asset replacement, other than AWC's negligence or improper maintenance, including, but not limited to:

6.3.3.1 A documented increasing level of repairs to, or failures of, a plant asset justifying its replacement prior to reaching the end of its useful service life (e.g. black poly pipe);

6.3.3.2 Meter replacements for systems that have implemented a meter testing and maintenance program in compliance with A.A.C. R14-2-408 (E);

6.3.3.3 Meters replaced in a system for the purpose of complying with the U.S. Environmental Protection Agency's Reduction of Lead in Drinking Water Act of 2010; and

6.3.3.4 Assets that are required to be moved, replaced or abandoned by a governmental agency or political subdivision if AWC can show that it has made a good faith effort to seek reimbursement for all or part of the costs incurred.

6.4 To be eligible for SIB treatment, a project must be a distribution system improvement with assets to be classified in the following plant categories:

6.4.1 Transmission and Distribution Mains;

6.4.2 Fire Mains;

6.4.3 Services, including Service Connections;

6.4.4 Valves and Valve Structures;

6.4.5 Meters and Meter Installations;

6.4.6 Hydrants

6.5 With a request to modify or add projects to SIB Plant Table I, AWC shall provide a proposed order for Commission consideration. Staff and RUCO shall have 30 days to object to the projects AWC is seeking to include in its revised SIB Plant Table I. Staff shall promptly process AWC's request and shall docket any Staff recommendations to the Commission within thirty days after AWC has filed its request. If there is no objection to AWC's request, that request shall be placed on an open meeting agenda at the earliest practical date.

## 7.0 SIB SURCHARGE FILING REQUIREMENTS

7.1 For ratemaking purposes and for all purposes of this Agreement, the Signatory Parties agree that AWC shall include the following information with each SIB surcharge filing:

7.1.1 A schedule (an example of which is attached hereto as Exhibit C, SIB Plant Table II) showing the SIB eligible projects completed for which AWC seeks cost recovery. Such projects must 1) be projects set forth in AWC's initial SIB Plant Table I or have been added to said SIB Plant Table I pursuant to Section 6.0 of this agreement; 2) have been completed by AWC; and 3) be actually serving customers.

7.1.2 SIB Schedule A (an example of which is attached hereto as Exhibit D), showing a calculation of the SIB revenue requirement and SIB efficiency credit, as well as the individual SIB fixed surcharge calculation;

7.1.3 SIB Schedule B (an example of which is attached hereto as Exhibit B), showing the overall SIB revenue true-up calculation for the prior twelve-month SIB surcharge period, as well as the individual SIB fixed true-up surcharge or credit calculation;

7.1.4 SIB Schedule C (an example of which is attached hereto as Exhibit E) showing the effect of the SIB surcharge on a typical residential customer bill;

7.1.5 SIB Plant Table II, summarizing SIB-eligible projects completed and included in the current SIB surcharge filing.

7.1.6 SIB Plant Table I (an example of which is attached hereto as Exhibit A), summarizing SIB-eligible projects contemplated for the next twelve (12)-month SIB surcharge period.

7.1.7 SIB Schedule D (an example of which is attached as Exhibit F) showing an analysis of the impact of the SIB Plant on the fair value rate base, revenue, and the fair value rate of return as set forth in Decision No. 73736.

7.1.8 A proposed order for the Commission's consideration.

7.2 At least 30 days prior to the SIB surcharge becoming effective, AWC shall provide public notice in the form of a billing insert or customer letter which includes the following information:

7.2.1 The individual SIB surcharge amount, by meter size;

7.2.2 The individual SIB efficiency credit, by meter size;

7.2.3 Any individual SIB true-up surcharge or credit, by meter size; and

7.2.4 A summary of the projects included in the current SIB surcharge filing, including a description of each project and its cost.

## 8.0 RATE DESIGN

8.1 The SIB fixed surcharge/rate design shall be calculated as follows:

8.1.1 The SIB surcharge shall be a fixed monthly surcharge containing a SIB fixed surcharge and the SIB efficiency credit as its two components.

8.1.2 The SIB surcharge shall be calculated by dividing the overall SIB revenue requirement by the number of 5/8-inch equivalent meters serving active customers at the end of the most recent twelve (12) month period, and shall increase with meter size based on the following meter capacity multipliers:

8.1.2.1	5/8-inch x 3/4-inch	1.0 times
8.1.2.2	1-inch	2.5 times
8.1.2.3	1 1/2-inch	5 times
8.1.2.4	2-inch	8 times
8.1.2.5	3-inch	16 times
8.1.2.6	4-inch	25 times

8.1.2.7	6-inch	50 times
8.1.2.8	8-inch	80 times
8.1.2.9	10-inch & above	115 times

8.2 The SIB surcharge shall apply to all of AWC's metered general service customers, including private fire service customers.

## 9.0 SIB SURCHARGE IMPLEMENTATION

9.1 For ratemaking purposes and for all purposes of this Agreement, the Signatory Parties agree that:

9.2 AWC's SIB surcharges and SIB true-up surcharges/credits shall not become effective unless approved by the Commission.

9.3 AWC shall provide a proposed order with each SIB surcharge filing for the Commission's consideration.

9.4 Staff and RUCO shall have thirty (30) days from the date a SIB surcharge filing is made by AWC to review the amount of the SIB surcharge or SIB true-up surcharge or credit, and dispute and/or file a request for the Commission to alter the SIB surcharge or SIB true-up surcharge/credit. If no objection is filed to AWC's request within the thirty-day timeframe, the request shall be placed on an open meeting agenda at the earliest practicable date.

## 10.0 COMMISSION REVIEW OF SIB MECHANISM

10.1 For ratemaking purposes and for all purposes of this Agreement, the Signatory Parties agree that the Commission may determine that good cause exists to suspend, terminate or modify AWC's SIB mechanism, after the affected parties are afforded due process and an opportunity to be heard prior to any suspension, termination, or modification of the SIB mechanism.

10.2 The Signatory Parties agree that, although the SIB mechanism discussed in this agreement may be used as a template in other rate proceedings, it is specific to AWC in Docket W-01455A-11-0310. The Signatory Parties further agree that Staff may recommend and/or that any utility may apply to the Commission for a similar SIB mechanism for projects meeting the criteria outlined herein in a full rate case application.

## 11.0 COMMISSION EVALUATION OF PROPOSED SETTLEMENT

11.1 This Agreement shall serve as the procedural device by which the Signatory Parties will submit their proposed settlement of the Phase 2 Rate Proceeding to the Commission. Nothing herein is intended to amend or supersede Decision No. 73736, which Decision is final in every respect.

11.2 All currently-filed testimony and exhibits, as well as the testimony in support of this Agreement anticipated by the Commission's February 21, 2013 Procedural Order, shall be offered into the Commission's record as evidence. All Signatory Parties waive the filing and submission of surrebuttal testimony and exhibits from Staff and Intervenors, and the filing and submission of rejoinder testimony and exhibits from AWC.

11.3 The Signatory Parties recognize that the Commission will independently consider and evaluate the terms of this Agreement.

11.4 If the Commission issues an order adopting all material terms of this Agreement, such action shall constitute Commission approval of the Agreement. Thereafter, the Signatory Parties shall abide by the terms of this Agreement, as approved by the Commission.

11.5 The Signatory Parties agree to support and defend this Agreement, including filing testimony in support of the Agreement and presenting evidence in support of the Agreement at the hearing in the Phase 2 Proceedings scheduled to begin on April 8, 2013, and will not oppose any provision of the Agreement in pre-filed or live testimony. The parties agree to waive their rights to appeal a Commission Decision approving the same, provided that the Commission approves all material provisions of the Agreement. The Signatory Parties shall take reasonable steps to expedite consideration of the settlement, entry of a Decision adopting the settlement, and implementation of the mechanism anticipated in this Agreement, and shall not seek any delay in the schedules set for consideration of the Agreement or for the Administrative Law Judge's or Commission's consideration of the settlement embodied in the Agreement. If the Commission adopts an order approving all material terms of this Agreement, the Signatory Parties will support and defend the Commission's order before any court or regulatory agency in which it may be at issue.

11.6 If the Commission fails to issue an order adopting all material terms of this Agreement or adds new or different material terms to this Agreement, any or all of the Signatory Parties may withdraw from this Agreement, and such Signatory Party or Parties may pursue without prejudice their respective remedies at law. For the purposes of this Agreement, whether a term is material shall be left to the discretion of the Signatory Party choosing to withdraw from the Agreement. If a Signatory Party files an application for rehearing before the Commission, Staff shall not be obligated to file any document or take any position regarding the withdrawing Signatory Party's application for rehearing.

11.7 The Signatory parties recognize that Staff does not have the power to bind the Commission. For purposes of proposing a settlement agreement, Staff acts in the same manner as any party to a Commission proceeding.

## 12.0 MISCELLANEOUS PROVISIONS

12.1 The provisions set forth in the Agreement are made for purposes of settlement only and shall not be construed as admissions against interest or waivers of litigation positions of the Signatory parties in this proceeding or related to other or future rate cases.

12.2 This Agreement represents the Signatory Parties' mutual desire to settle disputed issues in a manner consistent with the public interest. None of the positions taken in this Agreement by any of the Signatory Parties may be relied upon as precedent in any proceeding before the Commission, any other regulatory agency, or any court for any purpose except in furtherance of this Agreement.

12.3 This case presents a unique set of circumstances and to achieve consensus for settlement, participants may be accepting positions that, in other circumstances, they would be unwilling to accept. They are doing so because the Agreement, as a whole, with its various provisions for settling the unique issues presented by this case, is consistent with their long-term interests and with the broad public interest. The acceptance by any Signatory Party of a specific element of this Agreement shall not be considered as precedent for acceptance of that element in any other context.

12.4 No Signatory Party is bound by any position asserted in negotiations, except as expressly stated otherwise in this Agreement. No Signatory Party shall offer evidence of conduct or statements made in the course of negotiating this Agreement before this Commission, or any other regulatory agency, or any court.

12.5 Each of the terms and conditions of the Agreement is in consideration and support of all other terms. Accordingly, the terms are not severable.

11.6 The Signatory Parties warrant and represent that each person whose signature appears below is fully authorized and empowered to execute this Agreement.

12.7 The Signatory Parties acknowledge that they are represented by competent legal counsel and that they understand all of the terms of this Agreement and have had an opportunity to participate in the drafting of this Agreement and to fully review it with their counsel before signing, and that they execute this Agreement with full knowledge of the terms of the Agreement.

12.8 This Agreement may be executed in any number of counterparts and by each individual Signatory Party on separate counterparts, each of which when so executed and delivered shall be deemed an original and all of which taken together shall constitute one and the same instrument. This Agreement may also be executed electronically or by facsimile.

12.9 To the extent any provision of this Agreement is inconsistent with any existing Commission order, rule or regulation, this Agreement shall control.

Executed this 15<sup>th</sup> day of April, 2013.

ARIZONA WATER COMPANY

By: William M. Garfield  
Name: William M. Garfield  
Its: President and COO

ARIZONA CORPORATION COMMISSION  
UTILITIES DIVISION

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: \_\_\_\_\_

GLOBAL WATER - PALO VERDE UTILITIES  
COMPANY

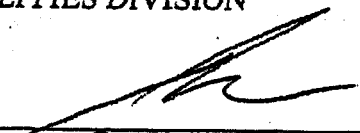
By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: \_\_\_\_\_

Executed this \_\_\_\_ day of March, 2013.

ARIZONA WATER COMPANY

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: \_\_\_\_\_

ARIZONA CORPORATION COMMISSION  
UTILITIES DIVISION

By:  \_\_\_\_\_  
Name: STEVE OLEA  
Its: Utilities Division Director

GLOBAL WATER - PALO VERDE UTILITIES  
COMPANY

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: \_\_\_\_\_

Executed this \_\_\_\_ day of March, 2013.

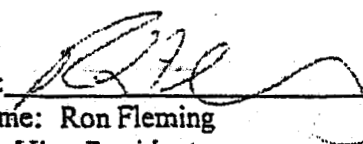
ARIZONA WATER COMPANY

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: \_\_\_\_\_

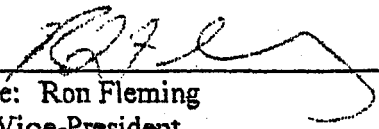
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UTILITIES DIVISION

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: \_\_\_\_\_

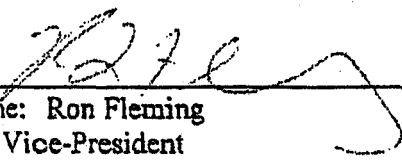
GLOBAL WATER - PALO VERDE UTILITIES  
COMPANY

By:  \_\_\_\_\_  
Name: Ron Fleming  
Its: Vice-President

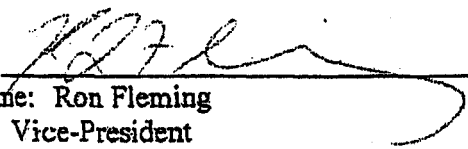
GLOBAL WATER - SANTA CRUZ WATER  
COMPANY

By:   
Name: Ron Fleming  
Its: Vice-President

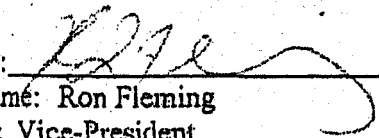
VALENCIA WATER COMPANY - TOWN  
DIVISION

By:   
Name: Ron Fleming  
Its: Vice-President

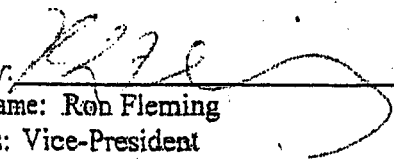
VALENCIA WATER COMPANY - GREATER  
BUCKEYE DIVISION

By:   
Name: Ron Fleming  
Its: Vice-President


WATER UTILITY OF GREATER TONOPAH

By:   
Name: Ron Fleming  
Its: Vice-President

WILLOW VALLEY WATER CO.

By:   
Name: Ron Fleming  
Its: Vice-President

WATER UTILITY OF NORTHERN  
SCOTTSDALE

By:   
Name: Ron Fleming  
Its: Vice-President

EPCOR WATER ARIZONA, INC.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: \_\_\_\_\_

RIO RICO UTILITIES, INC. dba LIBERTY  
UTILITIES

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: \_\_\_\_\_

THE WATER UTILITY ASSOCIATION OF  
ARIZONA

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: \_\_\_\_\_

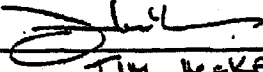
ARIZONA INVESTMENT COUNCIL

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: \_\_\_\_\_

WATER UTILITY OF NORTHERN  
SCOTTSDALE

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: \_\_\_\_\_

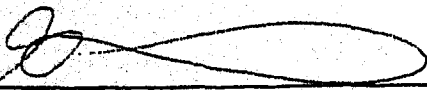
EPCOR WATER ARIZONA, INC.

By:  \_\_\_\_\_  
Name: JIM MCKEE  
Its: VP - CORP. SERVICES

RIO RICO UTILITIES, INC. dba LIBERTY  
UTILITIES

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: \_\_\_\_\_

THE WATER UTILITY ASSOCIATION OF  
ARIZONA

By:  \_\_\_\_\_  
Name: GREG PATTERSON  
Its: DIRECTOR

ARIZONA INVESTMENT COUNCIL

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: \_\_\_\_\_

WATER UTILITY OF NORTHERN  
SCOTTSDALE

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: \_\_\_\_\_

EPCOR WATER ARIZONA, INC.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: \_\_\_\_\_

RIO RICO UTILITIES, INC. dba LIBERTY  
UTILITIES

By: [Signature]  
Name: Gregory S. Scansen  
Its: VP: Gen

THE WATER UTILITY ASSOCIATION OF  
ARIZONA

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: \_\_\_\_\_

ARIZONA INVESTMENT COUNCIL

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: \_\_\_\_\_

WATER UTILITY OF NORTHERN  
SCOTTSDALE

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: \_\_\_\_\_

EPCOR WATER ARIZONA, INC.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: \_\_\_\_\_

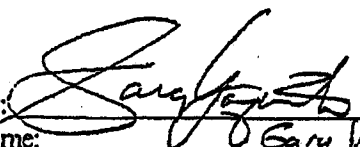
RIO RICO UTILITIES, INC. dba LIBERTY  
UTILITIES

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: \_\_\_\_\_

THE WATER UTILITY ASSOCIATION OF  
ARIZONA

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: \_\_\_\_\_

ARIZONA INVESTMENT COUNCIL

By:   
Name: Gary Vaguinte  
Its: President & CEO

**EXHIBIT A**

**SUPERSTITION/APACHE JUNCTION**  
**TABLE 1 (Page 1 of 6)**  
**Information to be included with SIB-Eligible Project Notification**

Project No.	NARUC Acct No. (SIB-eligible plant)	Replacement Plant Description (SIB-eligible plant)			PWSID No.	Site (location description)	Replacement Plant		1. Provide narrative why Replacement Plant is necessary - replacement of existing plant that has exceeded its designated useful life and has worn out or is in deteriorating condition due to no fault of the utility - replacement of existing plant to address excessive water loss (10% or more) - replacement of existing plant for other reasons supported by persuasive showing by utility (10% or more) 2. Provide narrative explaining why this segment of plant is a priority. 3. Provide narrative explaining how replacing this plant will benefit existing customers. 4. Provide affirmation that Replacement Plant does not include the costs for extending or expanding facilities to serve new customers.
		Pipe length	Diameter	Material			Expected In-Service Date	Cost (estimated)	
	369 Supply Mains								
1	NA				11-004			\$0	
2	NA				11-004			\$0	
3	NA				11-004			\$0	
4	NA				11-004			\$0	
6	NA				11-004			\$0	
9	NA				11-004			\$0	
10	NA				11-004			\$0	
11	NA				11-004			\$0	
12	NA				11-004			\$0	
14	NA				11-004			\$0	
17	NA				11-004			\$0	
18	NA				11-004			\$0	
25	NA				11-004			\$0	
27	NA				11-004			\$0	
28	NA				11-004			\$0	
31	NA				11-004			\$0	



**SUPERSTITION/APACHE JUNCTION**  
**TABLE I (Page 2 of 6)**  
**Information to be included with SIB-Eligible Project Notification**

Project No.	NARUC Act No. (SIB-eligible plant)	Replacement Plant Description (SIB-eligible plant)				PWSD No.	Site (location description)	Replacement Plant		1. Provide narrative why Replacement Plant is necessary - replacement of existing plant that has exceeded its designated useful life and has worn out or is in deteriorating condition due to no fault of the utility - replacement of existing plant to address excessive water loss (10% or more) - replacement of existing plant for other reasons supported by persuasive showing by utility 2. Provide narrative explaining why this segment of plant is a priority 3. Provide narrative explaining how replacing this plant will benefit existing customers. 4. Provide affirmation that Replacement Plant does not include the costs for extending or expanding facilities to serve new customers.
		Pipe length	Diameter	Material	Cost/Unit			Expected In-Service Date	Cost (estimated)	
1	NA					11-004			\$0	
2	343	1,350	6	DI	88.81	11-004	Boise St.	2015	\$119,894	Install approximately 1,350 LF of 6-inch DI replacement pipe with polywrap, replace 88 service connections and replace 88 meters between Boise Street and Avalon Street. This project will replace approximately 800 LF of 4-inch CA water main installed in 1970 in an alley between 113 <sup>rd</sup> Way and 114 <sup>th</sup> Street. The existing water main and service connections to be replaced have 22 recorded leaks over the last 10 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
3	343	650	6	DI	88.81	11-004	114 <sup>th</sup> St.	2014	\$57,727	Install approximately 650 LF of 6-inch DI replacement pipe with polywrap, replace 102 service connections, replace 102 meters, and replace 1 fire hydrant between 114 <sup>th</sup> Street and Meridian Road. The existing water mains and service connections to be replaced have 22 recorded leaks over the last 10 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
4	NA					11-004			\$0	
6	NA					11-004			\$0	

**SUPERSTITION/APACHE JUNCTION**  
**TABLE 1 (Page 2 of 6) cont.**  
**Information to be included with SIB-Eligible Project Notification**

9	343	4,700	6	DI	88.71	11-004	Hidalgo St.	2013	\$416,937	Install approximately 4,700 LF of 6-inch DI replacement pipe with polywrap, replace 32 service connections and replace 32 meters along Hidalgo Street and Concho Street. This project will replace approximately 2,950 LF of 1.5-inch and 2-inch GS water main installed in 1959 and 1960 along Hidalgo Street and will also replace approximately 2,350 LF of 1-inch and 2-inch GS water main installed in 1960 along Concho Street. These existing water mains and service connections to be replaced have 19 recorded leaks over the last 8 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
10	NA					11-004			\$0	
11	NA					11-004			\$0	
12	NA					11-004			\$0	
14	NA					11-004			\$0	
17	NA					11-004			\$0	
18	NA					11-004			\$0	
25	NA					11-004			\$0	
27	343	500	6	DI	89.65	11-004	Emerald Dr.	2014	\$44,825	Install approximately 500 LF of 6-inch DI replacement pipe with polywrap, replace 8 service connections and replace 8 meters along South Emerald Drive. This project will replace approximately 500 LF of 2-inch ST water main installed in 1955 along South Emerald Drive. The existing water mains and service connections to be replaced has 10 recorded leaks over the last 10 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
28	NA					11-004			\$0	
31	NA					11-004			\$0	
32	343	600	6	DI	84.90	11-004	Broadway Ave.	2014	\$50,940	Install approximately 600 LF of 6-inch DI replacement pipe with polywrap, replace 3 service connections, replace 3 meters, and replace 1 fire hydrant along Broadway Avenue from Tomahawk Road to Vista Road. This project will replace approximately 600 LF of 6-inch CA water main installed in 1960 and 1984 along Broadway Avenue. The existing water mains and service connections to be replaced has 7 recorded leaks over the last 10 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.

**Information to be included with SIB-Eligible Project Notification**

[illegible]

**SUPERSTITION/APACHE JUNCTION**  
**TABLE I (Page 3 of 6)**  
**Information to be included with SIB-Eligible Project Notification**

Project No.	NARUC Acct No. (SIB- eligible plant)	Replacement Plant Description (SIB-eligible plant)			PWSID No.	Site (location description)	Replacement Plant		Provide narrative why Replacement Plant is necessary - replacement of existing plant that has exceeded its designed useful life and has worn out or is in deteriorating condition due to no fault of the utility - replacement of existing plant to address excessive water loss (10% or more) - replacement of existing plant for other reasons supported by persuasive showing by utility 2. Provide narrative explaining why this segment of plant is a priority. 3. Provide narrative explaining how replacing this plant will benefit existing customers. 4. Provide affirmation that Replacement Plant does not include the costs for extending or expanding facilities to serve new customers.
		Quantity	Diameter	Material			Expected In-Service Date	Cost (estimated)	
1	345 Services	126	1-inch	Copper	11-004	Peralta Estates Unit 2	2014	\$513,747	Replace 126 service connections and replace 126 meters in Peralta Estates Unit Two. The existing water mains have 25 recorded service line leaks over the last 10 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
2	345	88	1-inch	Copper	11-004	Boise St.	2015	\$418,030	Install approximately 1,350 LF of 6-inch DI replacement pipe with polywrap, replace 88 service connections and replace 88 meters between Boise Street and Avalon Street. This project will replace approximately 800 LF of 4-inch CA water main installed in 1970 in an alley between 113 <sup>rd</sup> Way and 114 <sup>th</sup> Street. The existing water main and service connections to be replaced have 22 recorded leaks over the last 10 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
3	345	102	1-inch	Copper	11-004	114 <sup>th</sup> St.	2014	\$364,204	Install approximately 650 LF of 6-inch DI replacement pipe with polywrap, replace 102 service connections, replace 102 meters and replace 1 fire hydrant between 114 <sup>th</sup> Street and Meridian Road. The existing water mains and service connections to be replaced have 22 recorded leaks over the last 10 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
4	345	87	1-inch	Copper	11-004	Delaware Dr.	2014	\$339,501	Replace 87 service connections and replace 87 meters along Delaware and Lawther Drives. The existing water mains have 22 recorded service line leaks over the last 10 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.

**SUPERSTITION/APACHE JUNCTION**  
**TABLE 1 (Page 3 of 6) cont.**  
**Information to be included with SIB-Eligible Project Notification**

6	345	25	1-inch	Copper	4,000.32	11-004	Greasewood Dr.	2014	\$100,008	Replace 25 service connections and replace 25 meters along Greasewood Drive and Escondido Court. The existing water main has 20 recorded service line leaks over the last 10 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
9	345	32	1-inch	Copper	4,499.32	11-004	Hidalgo St.	2013	\$143,978	Install approximately 4,700 LF of 4-inch DI replacement pipe with polywrap, replace 32 service connections and replace 32 meters along Hidalgo Street and Concho Street. This project will replace approximately 2,950 LF of 1.5-inch and 2-inch GS water main installed in 1959 and 1960 along Hidalgo Street and will also replace approximately 2,350 LF of 1-inch and 2-inch GS water main installed in 1960 along Concho Street. These existing water mains and service connections to be replaced have 19 recorded leaks over the last 8 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
10	345	47	1-inch	Copper	3,987.04	11-004	Sugar Creek Dr.	2014	\$187,391	Replace 47 service connections and replace 47 meters along Sugar Creek Drive, Pleasant Place and Breathless Drive. The existing water mains have 19 recorded service line leaks over the last 10 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
11	345	101	1-inch	Copper	4,041.83	11-004	Pinyon Dr.	2015	\$408,225	Replace 101 service connections and replace 101 meters along Pinyon Drive and Virginia, Seenic, Cactus Wren, and Gregory Streets. The existing water mains have 18 recorded service line leaks over the last 10 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
12	345	44	1-inch	Copper	4,076.36	11-004	Peralta Estates	2015	\$179,360	Replace 44 service connections and replace 44 meters in Peralta Estates Unit Two. The existing water main has 17 recorded service line leaks over the last 10 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
14	345	121	1-inch	Copper	4,127.63	11-004	Copper Dr.	2015	\$499,463	Replace 121 service connections and replace 121 meters along Copper, Gold and Silver Drives. The existing water mains have 16 recorded service line leaks over the last 10 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
17	345	25	1-inch	Copper	4,037.08	11-004	Sleepy Hollow	2015	\$100,927	Replace 25 service connections and replace 25 meters along Sleepy Hollow Trail and Lazy Lane. The existing water mains have 15 recorded service line leaks over the last 7 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.

**SUPERSTITION/APACHE JUNCTION**  
**TABLE 1 (Page 3 of 6) cont.**  
**Information to be included with SIB-Eligible Project Notification**

18	345	21	1-inch	Copper	3,946.08	11-004	Hideaway Lane	2015	\$82,868	Replace 21 service connections and replace 21 meters along Hideaway Lane, Lazy Lane, and Breathless Drive. The existing water mains have 14 recorded service line leaks over the last 10 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
25	345	48	1-inch	Copper	3,959.74	11-004	Mountain Rd	2015	\$190,068	Replace 48 service connections and replace 48 meters along Mountain Road, Elmont Drive and Klatco Drive. The existing water mains have 11 recorded service line leaks over the last 10 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
27	345	8	1-inch	Copper	4,146.89	11-004	Emerald Dr.	2014	\$33,175	Install approximately 500 LF of 8-inch DI replacement pipe with polytrap, replace 8 service connections and replace 8 meters along South Emerald Drive. This project will replace approximately 500 LF of 2-inch ST water main installed in 1955 along South Emerald Drive. The existing water mains and service connections to be replaced has 10 recorded leaks over the last 10 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
28	345	30	1-inch	Copper	3,963.58	11-004	Sleepy Hollow Trail, Breathless Dr	2014	\$118,907	Replace 30 service connections and replace 30 meters along Sleepy Hollow Trail, Breathless Drive and Tum Tum Court. The existing water mains have 10 recorded service line leaks over the last 7 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
31	345	14	1-inch	Copper	4,052.48	11-004	Hummingbird Lane	2015	\$56,777	Replace 14 service connections and replace 14 meters along Hummingbird Lane. The existing water main has 7 recorded service line leaks over the last 10 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
32	345	3	1-inch	Copper	4,491.60	11-004	Broadway Ave.	2014	\$13,475	Install approximately 600 LF of 6-inch DI replacement pipe with polytrap, replace 3 service connections, replace 3 meters, and replace 1 fire hydrant along Broadway Avenue from Tomahawk Road to Vista Road. This project will replace approximately 600 LF of 6-inch CA water main installed in 1960 and 1984 along Broadway Avenue. The existing water mains and service connections to be replaced has 7 recorded leaks over the last 10 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.

**TABLE I (Page 3 of 6) cont.**  
**Information to be included with SIB-Eligible Project Notification**

[illegible]

## SUPERSTITION/APACHE JUNCTION

TABLE I (Page 4 of 6)

Information to be included with SIB-Eligible Project Notification

Project No.	NARUC Acct No. (SIB- eligible plant)	Replacement Plant Description (SIB-eligible plant)			PWSID No.	Site (location description)	Replacement Plant		1. Provide narrative why Replacement Plant is necessary - replacement of existing plant that has exceeded its designated useful life and has worn out or is in deteriorating condition due to no fault of the utility - replacement of existing plant to address excessive water loss (10% or more) - replacement of existing plant for other reasons supported by persuasive showing by utility 2. Provide narrative explaining why this segment of plant is a priority. 3. Provide narrative explaining how replacing this plant will benefit existing customers. 4. Provide affirmation that Replacement Plant does not include the costs for extending or expanding facilities to serve new customers.
		Size	Quantity	Cost/Unit			Expected In-Service Date	Cost (estimated)	
1	346 Meters	5/8-inch	126	80.00	11-004	Paralta Estates Unit 2	2014	\$10,080	Replace 126 meters in Paralta Estates Unit Two. In 2014 the existing meters are no longer NSF approved due to the new lead free brass requirements. Once a meter is removed from service, a new NSF approved meter must be installed in its place for compliance. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
2	346	5/8-inch	88	80.00	11-004	Boise St.	2015	\$7,040	Replace 88 meters between Boise Street and Avalon Street. In 2014 the existing meters are no longer NSF approved due to the new lead free brass requirements. Once a meter is removed from service, a new NSF approved meter must be installed in its place for compliance. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
3	346	5/8-inch	102	80.00	11-004	114 <sup>th</sup> St.	2014	\$8,160	Replace 102 meters between 114 <sup>th</sup> Street and Meridian Road. In 2014 the existing meters are no longer NSF approved due to the new lead free brass requirements. Once a meter is removed from service, a new NSF approved meter must be installed in its place for compliance. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
4	346	5/8-inch	87	80.00	11-004	Delaware Dr.	2014	\$6,960	Replace 87 meters along Delaware and Lawther Drives. In 2014 the existing meters are no longer NSF approved due to the new lead free brass requirements. Once a meter is removed from service, a new NSF approved meter must be installed in its place for compliance. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.

**SUPERSTITION/APACHE JUNCTION**  
**TABLE 1 (Page 4 of 6) cont.**  
**Information to be included with SIB-Eligible Project Notification**

6	346	5/8-inch	25	80.00	11-004	Greasewood Dr.	2014	\$2,000	Replace 25 meters along Greasewood Drive and Escondido Court. In 2014 the existing meters are no longer NSF approved due to the new lead free brass requirements. Once a meter is removed from service, a new NSF approved meter must be installed in its place for compliance. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
9	346	5/8-inch	32	80.00	11-004	Hidalgo St.	2013	\$2,560	Replace 32 meters along Hidalgo Street and Concho Street. The existing meters have reached the end of their useful life. This replacement project is not being constructed to serve new customers.
10	346	5/8-inch	47	80.00	11-004	Sugar Creek Dr.	2014	\$3,760	Replace 47 meters along Sugar Creek Drive, Pleasant Place and Breathless Drive. In 2014 the existing meters are no longer NSF approved due to the new lead free brass requirements. Once a meter is removed from service, a new NSF approved meter must be installed in its place for compliance. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
11	346	5/8-inch	101	80.00	11-004	Pinyon Dr.	2015	\$8,080	Replace 101 meters along Pinyon Drive and Virginia, Socinic, Cactus Wren, and Gregory Streets. In 2014 the existing meters are no longer NSF approved due to the new lead free brass requirements. Once a meter is removed from service, a new NSF approved meter must be installed in its place for compliance. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
12	346	5/8-inch	44	80.00	11-004	Peralta Estates	2015	\$3,520	Replace 44 meters in Peralta Estates Unit Two. In 2014 the existing meters are no longer NSF approved due to the new lead free brass requirements. Once a meter is removed from service, a new NSF approved meter must be installed in its place for compliance. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
14	346	5/8-inch	121	80.00	11-004	Copper Dr.	2015	\$9,680	Replace 121 meters along Copper, Gold and Silver Drives. In 2014 the existing meters are no longer NSF approved due to the new lead free brass requirements. Once a meter is removed from service, a new NSF approved meter must be installed in its place for compliance. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
17	346	5/8-inch	25	80.00	11-004	Sleepy Hollow	2015	\$2,000	Replace 25 meters along Sleepy Hollow Trail and Lazy Lane. In 2014 the existing meters are no longer NSF approved due to the new lead free brass requirements. Once a meter is removed from service, a new NSF approved meter must be installed in its place for compliance. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.

**SUPERSTITION/APACHE JUNCTION**  
**TABLE I (Page 4 of 6) cont.**  
**Information to be included with SIB-Eligible Project Notification**

18	346	5/8-inch	21	80.00	11-004	Hiddenway Lane	2015	\$1,680	Replace 21 meters along Hiddenway Lane, Lazy Lane, and Rattlesnake Drive. In 2014 the existing meters are no longer NSF approved due to the new lead free brass requirements. Once a meter is removed from service, a new NSF approved meter must be installed in its place for compliance. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
25	346	5/8-inch	48	80.00	11-004	Mountain Rd.	2015	\$3,840	Replace 48 meters along Mountain Road, Hiram Drive and Malcolin Drive. In 2014 the existing meters are no longer NSF approved due to the new lead free brass requirements. Once a meter is removed from service, a new NSF approved meter must be installed in its place for compliance. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
27	346	5/8-inch	8	80.00	11-004	Emerald Dr.	2014	\$640	Replace 8 meters along South Emerald Drive. In 2014 the existing meters are no longer NSF approved due to the new lead free brass requirements. Once a meter is removed from service, a new NSF approved meter must be installed in its place for compliance. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
28	346	5/8-inch	30	80.00	11-004	Sleepy Hollow Trail, Breathless Dr	2014	\$2,400	Replace 30 meters along Sleepy Hollow Trail, Breathless Drive and Tuna Turn Court. In 2014 the existing meters are no longer NSF approved due to the new lead free brass requirements. Once a meter is removed from service, a new NSF approved meter must be installed in its place for compliance. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
31	346	5/8-inch	14	80.00	11-004	Hummingbird Lane	2015	\$1,120	Replace 14 meters along Hummingbird Lane. In 2014 the existing meters are no longer NSF approved due to the new lead free brass requirements. Once a meter is removed from service, a new NSF approved meter must be installed in its place for compliance. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
32	346	5/8-inch	3	80.00	11-004	Broadway Ave.	2014	\$240	Replace 3 meters along Broadway Avenue from Tomahawk Road to Vista Road. In 2014 the existing meters are no longer NSF approved due to the new lead free brass requirements. Once a meter is removed from service, a new NSF approved meter must be installed in its place for compliance. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
33	346	5/8-inch	13	80.00	11-004	Boise St.	2014	\$1,040	Replace 13 meters along Boise Street and 10th Place. In 2014 the existing meters are no longer NSF approved due to the new lead free brass requirements. Once a meter is removed from service, a new NSF approved meter must be installed in its place for compliance. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.

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**SUPERSTITION/APACHE  
SUPERSTITION (Page 4 of 6) cont.**

**SUPERSTITION/APACHE  
SUPERSTITION (Page 4 of 6) cont.**

[illegible]

**SUPERSTITION/APACHE JUNCTION**  
**TABLE 1 (Page 5 of 6)**  
**Information to be included with SIB-Eligible Project Notification**

Project No.	NARUC Acct No. (SIB-eligible plant)	Replacement Plant Description (SIB-eligible plant)		PWSID No.	Site (location description)	Replacement Plant		Notes
		Quantity	Cost/Unit			Expected In-Service Date	Cost (estimated)	
1	348 Hydrants	NA		11-004			\$0	1. Provide narrative why Replacement Plant is necessary - replacement of existing plant that has exceeded its designated useful life and has worn out or is in deteriorating condition due to no fault of the utility - replacement of existing plant to address excessive water loss (10% or more) - replacement of existing plant for other reasons supported by persuasive showing by utility
2	NA	NA		11-004			\$0	2. Provide narrative explaining why this segment of plant is a priority.
3	348	1	2,886.70	11-004	114 <sup>th</sup> St.	2014	\$2,887	3. Provide narrative explaining how replacing this plant will benefit existing customers. 4. Provide affirmation that Replacement Plant does not include the costs for extending or expanding facilities to serve new customers.
4	NA	NA		11-004			\$0	Replace 1 fire hydrant between 114 <sup>th</sup> Street and Meridian Road. This project will replace a fire hydrant installed in 1970. The existing hydrant is old and failing requiring replacement. Replacement parts are unavailable for this hydrant. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
6	NA	NA		11-004			\$0	
9	NA	NA		11-004			\$0	
10	NA	NA		11-004			\$0	
11	NA	NA		11-004			\$0	
12	NA	NA		11-004			\$0	
14	NA	NA		11-004			\$0	
17	NA	NA		11-004			\$0	
18	NA	NA		11-004			\$0	
25	NA	NA		11-004			\$0	
27	NA	NA		11-004			\$0	
28	NA	NA		11-004			\$0	
31	NA	NA		11-004			\$0	

Continued on Page 5 of 6) cont.

**TABLE I (Page 5 of 6) Cont.**  
**Information to be included with SIB-Eligible Project Notification**

Replace 1 fire hydrant along Broadway Avenue from Tomahawk Road to Vista Road. This project will replace a fire hydrant installed in 1960 along Broadway Avenue. The existing hydrant is old and failing requiring replacement. Replacement parts are unavailable for this hydrant. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.

[illegible]

**SUPERSTITION/APACHE JUNCTION**  
**TABLE 1 (Page 6 of 6, Summary)**  
**Information to be included with SIB-Eligible Project Notification**

Project No.	PWSID No.	Project Description	Cost (estimated)
		REPLACE 126 SERVICE CONNECTIONS IN PERALTA ESTATES UNIT TWO	\$523,827
1	11-004	REPLACE 126 SERVICE CONNECTIONS BETWEEN BOISE STREET AND AVALON STREET	\$544,964
2	11-004	INSTALL 1,350 LF OF 6-INCH DIP w/POLYWRAP AND REPLACE 88 SERVICE CONNECTIONS BETWEEN 114 <sup>TH</sup> STREET AND MERIDIAN ROAD	\$432,978
3	11-004	INSTALL 630 LF OF 6-INCH DIP w/POLYWRAP AND REPLACE 102 SERVICE CONNECTIONS BETWEEN 114 <sup>TH</sup> STREET AND MERIDIAN ROAD	\$346,461
4	11-004	REPLACE 87 SERVICE CONNECTIONS ALONG DELAWARE AND ALWITHER DRIVES	\$102,008
6	11-004	REPLACE 25 SERVICE CONNECTIONS ALONG GREASEWOOD DRIVE AND ESCONDIDO COURT	\$563,475
9	11-004	REPLACE 25 SERVICE CONNECTIONS ALONG HIDALGO STREET AND CONCHO STREET	\$191,151
10	11-004	INSTALL 4,700 LF OF 6-INCH DIP w/POLYWRAP AND REPLACE 32 SERVICE CONNECTIONS ALONG HIDALGO STREET AND CONCHO STREET	\$416,305
11	11-004	REPLACE 46 SERVICE CONNECTIONS ALONG SUGAR CREEK DRIVE, PLEASANT PLACE AND BREATHELESS DRIVE	\$182,880
12	11-004	REPLACE 101 SERVICE CONNECTIONS ALONG PINTON DRIVE AND VIRGINIA, SCENIC, CACTUS WREN, AND GREGORY STREETS	\$509,123
14	11-004	REPLACE 44 SERVICE CONNECTIONS IN PERALTA ESTATES UNIT TWO	\$102,927
17	11-004	REPLACE 121 SERVICE CONNECTIONS ALONG COPPER, GOLD AND SILVER DRIVES	\$84,548
18	11-004	REPLACE 25 SERVICE CONNECTIONS ALONG SLEEPY HOLLOW TRAIL AND LAZY LANE	\$193,908
25	11-004	REPLACE 21 SERVICE CONNECTIONS ALONG HIDEAWAY LANE, LAZY LANE AND BREATHELESS DRIVE	\$78,640
27	11-004	REPLACE 48 SERVICE CONNECTIONS ALONG MOUNTAIN ROAD, ELMONT DRIVE AND MALCOLM DRIVE	\$121,307
28	11-004	INSTALL 500 LF OF 6-INCH DIP w/POLYWRAP AND REPLACE 8 SERVICE CONNECTIONS ALONG SOUTH EMERALD DRIVE	
		REPLACE 30 SERVICE CONNECTIONS ALONG SLEEPY HOLLOW TRAIL, BREATHELESS DRIVE AND TUM TUM COURT	

# THE JUNCTION

**SUPERSTITION/APACIL: cont.**

**TABLE I (Page 6 of 6, Summary of SIB-Eligible Project Notifications)**

Information to be included with

**Total Cost (estimate)**

DECISION NO.

DOCKET NO. W-01445A-12-0348

## TABLE I (Page 1 of 6)

1. Provide narrative why Replacement Plant is necessary
  - replacement of existing plant that has exceeded its designated useful life and has worn out or is in deteriorating condition due to no fault of the utility
  - replacement of existing plant to address excessive water loss (100% or more)
  - replacement of existing plant for other reasons supported by persuasive showing by utility
2. Provide narrative explaining why this segment of plant is a priority.
3. Provide narrative explaining how replacing this plant will benefit existing customers.
4. Provide affirmation that Replacement Plant does not include the costs for extending or expanding facilities to serve new customers.

[illegible]

**SUPERSTITION/SUPERIOR**  
**TABLE I (Page 2 of 6)**  
**Information to be included with SIB-Eligible Project Notification**

Project No.	NARIUC Acct No. (SIB- eligible plant)	Replacement Plant Description (SIB-eligible plant)				PWSID No.	Site (location description)	Replacement Plant		
		Pipe length	Diameter	Material	Cost/Unit			Expected In-Service Date	Cost (estimated)	
19	343	1,350	6	DI	83.07	11-021	Stone Avenue	2013	\$112,145	1. Provide narrative why Replacement Plant is necessary - replacement of existing plant that has exceeded its designed useful life and has worn out or is in deteriorating condition due to no fault of the utility - replacement of existing plant to address excessive water loss (10% or more) - replacement of existing plant for other reasons supported by persuasive showing by utility 2. Provide narrative explaining why this segment of plant is a priority. 3. Provide narrative explaining how replacing this plant will benefit existing customers. 4. Provide affirmation that Replacement Plant does not include the costs for extending or expanding facilities to serve new customers.
34	NA					11-021			\$0	Install approximately 1,350 LF of 6-inch DI replacement pipe with polywrap, replace 25 service connections, replace 25 meters, and replace 3 fire hydrants along Stone Avenue from Kiser Street to Mohatt Street. This project will replace approximately 950 LF of 4-inch CI water main installed in 1937 along Stone Avenue and approximately 400 LF of 2-inch CA water main installed in 1942 along Kiser Street. The existing water mains to be replaced have 14 recorded leaks and over the past 10 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
36	343	1,250	6	DI	98.18	11-021	Garrot Avenue	2015	\$122,725	Install approximately 1,250 LF of 6-inch DI replacement pipe with polywrap, replace 31 service connections, and replace 31 meters along Garrot Avenue and Stansberry Avenue. This project will replace approximately 650 LF of 2-inch CA water main installed in 1939 in the alley west of Garrot Avenue and approximately 600 LF of 6-inch CA water main installed in 1930 on Stansberry Avenue. The existing water mains to be replaced have 6 recorded leaks over the past 10 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
<b>Subtotal Cost (estimate)</b>									<b>\$234,870</b>	

**SUPERSTITION/SUPERIOR**  
**TABLE 1 (Page 3 of 6)**  
**Information to be included with SIB-Eligible Project Notification**

Project No.	NARI/C Acct No. (SIB- eligible plant)	Quantity	Diameter	Material	Cost/Unit	PWSID No.	Site (location description)	Replacement Plant		
								Expected In-Service Date	Cost (estimated)	
19	345	25	1-inch	Copper	3,996.17	11-021	Stone Avenue	2013	\$99,904	1. Provide narrative why Replacement Plant is necessary - replacement of existing plant that has exceeded its designated useful life and has worn out or is in deteriorating condition due to no fault of the utility - replacement of existing plant to address excessive water loss (10% or more) - replacement of existing plant for other reasons supported by persuasive showing by utility 2. Provide narrative explaining why this segment of plant is a priority. 3. Provide narrative explaining how replacing this plant will benefit existing customers. 4. Provide affirmation that Replacement Plant does not include the costs for extending or expanding facilities to serve new customers.
34	345	28	1-inch	Copper	4,022.64	11-021	Hill Street	2014	\$112,634	1. Provide narrative why Replacement Plant is necessary - replacement of existing plant that has exceeded its designated useful life and has worn out or is in deteriorating condition due to no fault of the utility - replacement of existing plant to address excessive water loss (10% or more) - replacement of existing plant for other reasons supported by persuasive showing by utility 2. Provide narrative explaining why this segment of plant is a priority. 3. Provide narrative explaining how replacing this plant will benefit existing customers. 4. Provide affirmation that Replacement Plant does not include the costs for extending or expanding facilities to serve new customers.
36	345	31	1-inch	Copper	4,958.40	11-021	Garrot Avenue	2015	\$153,710	1. Provide narrative why Replacement Plant is necessary - replacement of existing plant that has exceeded its designated useful life and has worn out or is in deteriorating condition due to no fault of the utility - replacement of existing plant to address excessive water loss (10% or more) - replacement of existing plant for other reasons supported by persuasive showing by utility 2. Provide narrative explaining why this segment of plant is a priority. 3. Provide narrative explaining how replacing this plant will benefit existing customers. 4. Provide affirmation that Replacement Plant does not include the costs for extending or expanding facilities to serve new customers.
<b>Subtotal Cost (estimate)</b>									<b>\$366,248</b>	

**SUPERSTITION/SUPERIOR**

[illegible]

Information to be included	Site	Replacement Plant
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SUPERSTITION/SUPERSTITION

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Page 6 of 6, Summary  
Project Notification

**Information to be included:**

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**SUPERSTITITION/MIAMI**  
**TABLE I (Page 1 of 6)**  
**Information to be included with SIB-Eligible Project Notification**

Project No.	NARUC Acct No. (SIB-eligible plant)	Replacement Plant Description (SIB-eligible plant)				PWSID No.	Site (location description)	Replacement Plant		1. Provide narrative why Replacement Plant is necessary - replacement of existing plant that has exceeded its designated useful life and has worn out or is in deteriorating condition due to no fault of the utility - replacement of existing plant to address excessive water loss (10% or more) - replacement of existing plant for other reasons supported by persuasive showing by utility 2. Provide narrative explaining why this segment of plant is a priority. 3. Provide narrative explaining how replacing this plant will benefit existing customers. 4. Provide affirmation that Replacement Plant does not include the costs for extending or expanding facilities to serve new customers.
		Pipe length	Diameter	Material	Cost/Unit			Expected In-Service Date	Cost (estimated)	
5	NA					04-002			\$0	
7	NA					04-002			\$0	
8	NA					04-002			\$0	
13	NA					04-002			\$0	
15	NA					04-002			\$0	
16	NA					04-002			\$0	
20	NA					04-002			\$0	
21	NA					04-002			\$0	
22	NA					04-002			\$0	
23	NA					04-002			\$0	
24	NA					04-002			\$0	
26	NA					04-002			\$0	
29	NA					04-002			\$0	
30	NA					04-002			\$0	
Subtotal Cost (estimate)									\$0	

**SUPERSTITION/MIAMI**  
**TABLE 1 (Page 2 of 6)**  
**Information to be included with SIB-Eligible Project Notification**

Project No.	NARUC Acct No. (SIB- eligible plant)	Replacement Plant Description (SIB-eligible plant)				PWSID No.	Site (location description)	Replacement Plant		1. Provide narrative why Replacement Plant is necessary - replacement of existing plant that has exceeded its designated useful life and has worn out or is in deteriorating condition due to no fault of the utility - replacement of existing plant to address excessive water loss (10% or more) - replacement of existing plant for other reasons supported by persuasive showing by utility 2. Provide narrative explaining why this segment of plant is a priority. 3. Provide narrative explaining how replacing this plant will benefit existing customers. 4. Provide affirmation that Replacement Plant does not include the costs for extending or expanding facilities to serve new customers.
		Pipe length	Diameter	Material	Cost/Unit			Expected In-Service Date	Cost (estimated)	
5	NA					04-002			\$0	
7	NA					04-002			\$0	
8	343 T&D Mains	600	6	DI	89.54	04-002	Ranch Rd.	2014	\$33,724	Install approximately 600 LF of 6-inch DI replacement pipe with polywrap, replace 1 service connection and replace 1 meter along Ranch Road. This project will replace approximately 600 LF of 2-inch PVC water main installed in 1984 on Ranch Road. The existing water main and service connection to be replaced has 20 recorded leaks over the last 3 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
13	343	1,050	6	DI	88.78	04-002	Russell Ave.	2014	\$93,219	Install approximately 1,050 LF of 6-inch DI replacement pipe with polywrap, replace 23 service connections, and replace 23 meters along Snedden Avenue east of Russell Avenue. This project will replace approximately 650 LF of 2-inch CA water main installed in 1949, approximately 200 LF of 1-inch GS water main installed in 1950, and approximately 200 LF of 3-inch CA water main installed in 1965. The existing water mains and service connections to be replaced have 17 recorded leaks over the last 6 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
15	NA					04-002			\$0	

**SUPERSTITION/MIAMI**  
**TABLE 1 (Page 2 of 6) cont.**  
**Information to be included with SIB-Eligible Project Notification**

16	343	250	6	DI	90.57	04-002	Monroe St.	2013	\$22,643	Install approximately 250 LF of 6-inch DI replacement pipe with polywrap, replace 6 service connections and replace 6 meters along Monroe Street from Miami Street to Marion Street. This project will replace approximately 400 LF of 2-inch PVC water main installed in 1976 and 2-inch GS water main installed in 1936 on Monroe Street. The existing water mains and service connections to be replaced have 16 recorded leaks over the last 7 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
20	343	550	6	DI	83.02	04-002	Central Ave.	2014	\$45,661	Install approximately 550 LF of 6-inch DI replacement pipe with polywrap, replace 25 service connections, replace 25 meters, replace 1 fire hydrant along Central Avenue from Briley Street to Monroe Street. This project will replace approximately 550 LF of 6-inch ST water main installed in 1955 on Central Avenue. The existing water mains and service connections to be replaced have 14 recorded leaks over the last 7 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
21	343	1,700	6	DI	89.08	04-002	Orphan St.	2014	\$151,436	Install approximately 1,700 LF of 6-inch DI replacement pipe with polywrap, replace 33 service connections, and replace 33 meters along Orphan Street and Kenzie Avenue. This project will replace approximately 1,050 LF of 2-inch CA water main installed in 1949 on Orphan Avenue, and will replace approximately 650 LF of 1-inch and 2-inch GS water mains installed in 1932 on Kenzie Avenue. The existing water mains and service connections to be replaced have 14 recorded leaks over the last 6 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
22	343	2,750	6	DI	87.78	04-002	Fredric St.	2015	\$241,395	Install approximately 2,750 LF of 6-inch DI replacement pipe with polywrap, replace 53 service connections, replace 53 meters with polywrap, replace 53 fire hydrants along Fredric Street and Bird Street, and replace 2 fire hydrants along Fredric Street and Bird Street. This project will replace approximately 1,450 LF of 2-inch GS water main installed in 1930 and 1936 on Fredric Street and approximately 1,300 LF of 2-inch GS and 4-inch CA water main installed in 1930 and 1949, respectively, and in 1949 on Bird Street. The existing water mains and service connections to be replaced have 13 recorded leaks over the last 6 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
23	NA					04-002			\$0	

**SUPERSTITION/MIAMI**

TABLE I (Page 2 of 6) cont.

**Information to be included with SIB-Eligible Project Notification**

[illegible]

**SUPERSTITION/MIAMI**  
**TABLE I (Page 3 of 6)**  
**Information to be included with SIR-Eligible Project Notification**

Project No.	NARUC Acct No. (SIR-eligible plant)	Replacement Plant Description (SIR-eligible plant)				PWSID No.	Site (location description)	Replacement Plant		
		Quantity	Diameter	Material	Cost/Unit			Expected In-Service Date	Cost (estimated)	
5	345	10	1-inch	Copper	4,147.43	04-002	Globe Ave.	2014	\$41,474	Replace 10 service connections and replace 10 meters along Globe Avenue. The existing water mains have 22 recorded service line leaks over the last 6 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
7	345	22	1-inch	Copper	4,139.00	04-002	Chisolm Ave.	2014	\$91,058	Replace 22 service connections and replace 22 meters along Chisolm Avenue. The existing water mains have 20 recorded service line leaks over the last 6 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
8	345	1	1-inch	Copper	3,435.50	04-002	Ranch Rd.	2014	\$3,436	Install approximately 600 LF of 6-inch DI replacement pipe with polywrap and replace 1 service connection, and replace 1 meter along Ranch Road. This project will replace approximately 600 LF of 2-inch PVC water main installed in 1984 on Ranch Road. The existing water main and service connection to be replaced has 20 recorded leaks over the last 3 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
13	345	23	1-inch	Copper	4,137.96	04-002	Russell Ave.	2014	\$95,173	Install approximately 1,050 LF of 6-inch DI replacement pipe with polywrap, replace 23 service connections, and replace 23 meters along Snedden Avenue east of Russell Avenue. This project will replace approximately 650 LF of 2-inch CA water main installed in 1949, approximately 200 LF of 1-inch GS water main installed in 1950, and approximately 200 LF of 3-inch CA water main installed in 1965. The existing water mains and service connections to be replaced have 17 recorded leaks over the last 6 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.

SUPERSTITION/MIAMI  
TABLE I (Page 3 of 6) cont.  
Information to be included with SIB-Eligible Project Notification

15	345	18	1-inch	Copper	4,055.49	04-002	McKinney Ave.	2015	\$72,999	Replace 18 service connections and replace 18 meters along McKinney Avenue from Braley Street to Hill Street. The existing water mains have 16 recorded service line leaks over the last 6 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
16	345	6	1-inch	Copper	3,848.24	04-002	Monroe St.	2013	\$23,089	Install approximately 230 LF of 6-inch DI replacement pipe with polywrap, replace 6 service connections and replace 6 meters along Monroe Street from Miami Street to Marion Street. This project will replace approximately 400 LF of 2-inch PVC water main installed in 1976 and 2-inch GS water main installed in 1936 on Monroe Street. The existing water mains and service connections to be replaced have 16 recorded leaks over the last 7 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
20	345	25	1-inch	Copper	4,192.08	04-002	Central Ave.	2014	\$104,802	Install approximately 550 LF of 6-inch DI replacement pipe with polywrap, replace 25 service connections, replace 25 meters and replace 1 fire hydrant along Central Avenue from Braley Street to Monroe Street. This project will replace approximately 550 LF of 6-inch ST water main installed in 1955 on Central Avenue. The existing water mains and service connections to be replaced have 14 recorded leaks over the last 7 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
21	345	33	1-inch	Copper	3,828.75	04-002	Orphan St.	2014	\$126,349	Install approximately 1,700 LF of 6-inch DI replacement pipe with polywrap, replace 33 service connections and replace 33 meters along Orphan Street and Kenzie Avenue. This project will replace approximately 1,050 LF of 2-inch CA water main installed in 1949 on Orphan Avenue, and will replace approximately 650 LF of 1-inch and 2-inch GS water mains installed in 1932 on Kenzie Avenue. The existing water mains and service connections to be replaced have 14 recorded leaks over the last 6 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
22	345	53	1-inch	Copper	4,036.73	04-002	Frederic St.	2015	\$213,947	Install approximately 2,750 LF of 6-inch DI replacement pipe with polywrap, replace 53 service connections, replace 53 meters and replace 2 fire hydrants along Frederic Street and Bird Street. This project will replace approximately 1,450 LF of 2-inch GS water main installed in 1930 and 1936 on Frederic Street and approximately 1,300 LF of 2-inch GS and 4-inch CA water main installed in 1930 and 1949, respectively, and in 1949 on Bird Street. The existing water mains and service connections to be replaced have 13 recorded leaks over the last 6 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.

**SUPERSTITION/MIAMI**  
Page 3 of 6) cont.

TABLE I (Page 3 of 6) cont.  
included with SIR-Eligible Project Notification

Information to be included			

SUPPLEMENTAL INFORMATION										
TABLE 1 (Page 3 of 6) cont.										
Information to be included with SIR-Eligible Project Notification										
23	345	17	1-inch	Copper	4,028.46	04-002	Glendale Ave.	2015	\$68,484	Replace 17 service connections and replace 17 meters along Glendale Avenue from Brawley Street to Hill Street. The existing water mains have 13 recorded service line leaks over the last 7 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
24	345	11	1-inch	Copper	4,042.78	04-002	Story St.	2014	\$44,471	Install approximately 600 LF of 6-inch DI replacement pipe with new customers. Project further described and documented in Exhibit FKS-13.
26	345	17	1-inch	Copper	3,830.70	04-002	Young St.	2015	\$65,122	Install approximately 800 LF of 6-inch DI replacement pipe with polywrap, replace 17 service connections and replace 17 meters along Young Street, Second Avenue, Hill Street, and Third Avenue. This project will replace approximately 350 LF of 7-inch ST water main installed in 1975, approximately 100 inch ST water main installed in 1979, and approximately 11 inch PVC water main installed in 1973. The existing LF of 2-inch PVC water main connections to be replaced have 11 water mains and service connections to be replaced have 11 recorded leaks over the last 3 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
29	NA					04-002	Loomis Ave.	2015	\$17,877	Install approximately 500 LF of 6-inch DI replacement pipe with polywrap, replace 5 service connections and replace 5 meters, 500 LF of 1-inch GS water main installed in 1935 east of Loomis Avenue. The existing water main and service connections to be replaced have 9 recorded leaks in the last 7 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
30	345	5	1-inch	Copper	3,575.45					
Subtotal Cost (estimate)									\$968,781	

**SUPERSTITION/MIAMI**  
**TABLE I (Page 4 of 6)**  
**Information to be included with SIB-Eligible Project Notification**

Project No.	NARIC Acct No. (SIB-eligible plant)	Replacement Plant Description (SIB-eligible plant)			PV/SID No.	Site (location description)	Replacement Plant		
		Size	Quantity	Cost/Unit			Expected In-Service Date	Cost (estimated)	
5	346	5/8-inch	10	80.00	04-002	Globe Ave.	2014	\$800	1. Provide narrative why Replacement Plant is necessary - replacement of existing plant that has exceeded its designated useful life and has worn out or is in deteriorating condition due to no fault of the utility - replacement of existing plant to address excessive water loss (10% or more) - replacement of existing plant for other reasons supported by persuasive showing by utility 2. Provide narrative explaining why this segment of plant is a priority. 3. Provide narrative explaining how replacing this plant will benefit existing customers. 4. Provide affirmation that Replacement Plant does not include the costs for extending or expanding facilities to serve new customers.
7	346	5/8-inch	22	80.00	04-002	Chisolm Ave.	2014	\$1,760	Replace 22 meters along Chisolm Avenue. In 2014 the existing meters are no longer NSF approved due to the new lead free brass requirements. Once a meter is removed from service, a new NSF approved meter must be installed in its place for compliance. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
8	346	5/8-inch	1	80.00	04-002	Ranch Rd.	2014	\$80	Replace 1 meter along Ranch Road. In 2014 the existing meters are no longer NSF approved due to the new lead free brass requirements. Once a meter is removed from service, a new NSF approved meter must be installed in its place for compliance. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
13	346	5/8-inch	23	80.00	04-002	Russell Ave.	2014	\$1,840	Replace 23 meters along Snedden Avenue east of Russell Avenue. In 2014 the existing meters are no longer NSF approved due to the new lead free brass requirements. Once a meter is removed from service, a new NSF approved meter must be installed in its place for compliance. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.

SUPERSTITION/MIAMI  
TABLE I (Page 4 of 6) cont.  
Information to be included with SIB-Eligible Project Notification

15	346	5/8-inch	18	80.00	04-002	McKinney Ave.	2015	\$1,440	Replace 18 meters along McKinney Avenue from Bralcy Street to Hill Street. In 2014 the existing meters are no longer NSF approved due to the new lead free brass requirements. Once a meter is removed from service, a new NSF approved meter must be installed in its place for compliance. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
16	346	5/8-inch	6	80.00	04-002	Monroe St.	2013	\$480	Replace 6 meters along Monroe Street from Miami Street to Marion Street. The existing meters have reached the end of their useful life. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
20	346	5/8-inch	25	80.00	04-002	Central Ave.	2014	\$2,000	Replace 25 meters along Central Avenue from Bralcy Street to Monroe Street. In 2014 the existing meters are no longer NSF approved due to the new lead free brass requirements. Once a meter is removed from service, a new NSF approved meter must be installed in its place for compliance. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
21	346	5/8-inch	33	80.00	04-002	Orphan St.	2014	\$2,640	Replace 33 meters along Orphan Street and Kenzie Avenue. In 2014 the existing meters are no longer NSF approved due to the new lead free brass requirements. Once a meter is removed from service, a new NSF approved meter must be installed in its place for compliance. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
22	346	5/8-inch	53	80.00	04-002	Fredric St.	2015	\$4,240	Replace 53 meters along Fredric Street and Bird Street. In 2014 the existing meters are no longer NSF approved due to the new lead free brass requirements. Once a meter is removed from service, a new NSF approved meter must be installed in its place for compliance. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
23	346	5/8-inch	17	80.00	04-002	Glendale Ave.	2015	\$1,360	Replace 17 meters along Glendale Avenue from Bralcy Street to Hill Street. In 2014 the existing meters are no longer NSF approved due to the new lead free brass requirements. Once a meter is removed from service, a new NSF approved meter must be installed in its place for compliance. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
24	346	5/8-inch	11	80.00	04-002	Story St.	2014	\$880	Replace 11 meters along Story Street east of Russell Avenue. In 2014 the existing meters are no longer NSF approved due to the new lead free brass requirements. Once a meter is removed from service, a new NSF approved meter must be installed in its place for compliance. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.

**SUPERSTITION/MIAMI**

TABLE I (Page 4 of 6) cont.

**TABLE 1 (Page 1 of 2)**  
**Information to be included with SIB-Eligible Project Notification**

[illegible]

**SUPERSTITION/MIAMI**  
**TABLE 1 (Page 5 of 6)**  
**Information to be included with SIB-Eligible Project Notification**

Project No.	NARUC Acct No. (SIB- eligible plant)	Replacement Plant Description (SIB-eligible plant)		PWSID No.	Site (location description)	Replacement Plant		1. Provide narrative why Replacement Plant is necessary - replacement of existing plant that has exceeded its designated useful life and has worn out or is in deteriorating condition due to no fault of the utility - replacement of existing plant to address excessive water loss (10% or more) - replacement of existing plant for other reasons supported by persuasive showing by utility	2. Provide narrative explaining why this segment of plant is a priority.	3. Provide narrative explaining how replacing this plant will benefit existing customers.	4. Provide affirmation that Replacement Plant does not include the costs for extending or expanding facilities to serve new customers.
		Quantity	Cost/Unit			Expected In- Service Date	Cost (estimated)				
5	NA			04-002			\$0				
7	NA			04-002			\$0				
8	NA			04-002			\$0				
13	NA			04-002			\$0				
15	NA			04-002			\$0				
16	NA			04-002			\$0				
20	348	1	2,321.78	04-002	Central Ave.	2014	\$2,2322	Replace 1 fire hydrant along Central Avenue from Braley Street to Monroe Street. This project will replace a fire hydrant installed in 1955 on Central Avenue. The existing hydrant is old and failing requiring replacement. Replacement parts are unavailable for this hydrant. This replacement is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.			
21	NA			04-002			\$0	Replace 2 fire hydrants along Fredric Street and Bind Street. This project will replace fire hydrants installed in 1920s on Fredric Street and Bind Street. The existing hydrants are old and failing requiring replacement. Replacement parts are unavailable for these hydrants. This replacement is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.			
22	348	2	2,321.12	04-002	Fredric St.	2015	\$4,642				
23	NA			04-002			\$0				
24	NA			04-002			\$0				
26	NA			04-002			\$0				

### Information to be included with SLB-Eligible Project Notification

[illegible]

**SUPERSTITION/MIAMI**  
**TABLE 1 (Page 6 of 6, Summary)**  
**Information to be included with SIB-Eligible Project Notification**

Project No.	PWSID No.	Project Description	Cost (estimated)
5	04-002	REPLACE 10 SERVICE CONNECTIONS ALONG GLOBE AVENUE	\$42,274
7	04-002	REPLACE 22 SERVICE CONNECTIONS ALONG CHISOLM AVENUE	\$92,818
8	04-002	INSTALL 600 LF OF 6-INCH DIP w/POLYWRAP ALONG RANCH ROAD AND REPLACE 1 SERVICE CONNECTION	\$57,240
13	04-002	INSTALL 1,050 LF OF 6-INCH DIP w/POLYWRAP AND REPLACE 23 SERVICE CONNECTIONS ALONG SNEDED AVENUE EAST OF RUSSELL AVENUE	\$190,232
15	04-002	REPLACE 18 SERVICE CONNECTIONS ALONG MCKINNEY AVENUE FROM BRALEY STREET TO HILL STREET	\$74,439
16	04-002	INSTALL 250 LF OF 6-INCH DIP w/POLYWRAP AND REPLACE 6 SERVICE CONNECTIONS ALONG MONROE STREET FROM MIAMI STREET TO MARION STREET	\$46,212
20	04-002	INSTALL 550 LF OF 6-INCH DIP w/POLYWRAP AND REPLACE 25 SERVICE CONNECTIONS ALONG CENTRAL AVENUE FROM BRALEY STREET TO MONROE STREET	\$154,785
21	04-002	INSTALL 1,700 LF OF 6-INCH DIP w/POLYWRAP AND REPLACE 33 SERVICE CONNECTIONS ALONG ORPHAN STREET AND KENZIE AVENUE	\$280,425
22	04-002	INSTALL 2,750 LF OF 6-INCH DIP w/POLYWRAP AND REPLACE 53 SERVICE CONNECTIONS ALONG FREDRIC STREET AND BIRD STREET	\$464,224
23	04-002	REPLACE 17 SERVICE CONNECTIONS ALONG GLENDALE AVENUE FROM BRALEY STREET TO HILL STREET	\$69,844
24	04-002	INSTALL 600 LF OF 6-INCH DIP w/POLYWRAP AND REPLACE 11 SERVICE CONNECTIONS ALONG STORY STREET EAST OF RUSSELL AVENUE	\$98,595
26	04-002	INSTALL 800 LF OF 6-INCH DIP w/POLYWRAP AND REPLACE 17 SERVICE CONNECTIONS ALONG YOUNG STREET, SECOND AVENUE, HILL STREET AND THRID AVENUE	\$138,506
29	04-002	INSTALL 1,600 LF OF 6-INCH DIP w/POLYWRAP ALONG WASHBORN ROAD	\$142,838
30	04-002	INSTALL 500 LF OF 6-INCH DIP w/POLYWRAP AND REPLACE 5 SERVICES EAST OF LOOMIS AVENUE	\$63,017
<b>Total Cost (estimate)</b>			<b>\$1,915,449</b>

Project No.	NARUC Acct No. (SIB-eligible plant)	Replacement Plant Description (SIB-eligible plant)				PWSID No.	Site (location description)	Replacement Plant		1. Provide narrative why Replacement Plant is necessary - replacement of existing plant that has exceeded its designated useful life and has worn out or is in deteriorating condition due to no fault of the utility - replacement of existing plant to address excessive water loss (10% or more) - replacement of existing plant for other reasons supported by persuasive showing by utility 2. Provide narrative explaining why this segment of plant is a priority. 3. Provide narrative explaining how replacing this plant will benefit existing customers. 4. Provide affirmation that Replacement Plant does not include the costs for extending or expanding facilities to serve new customers.
		Pipe length	Diameter	Material	Cost/Unit			Expected In-Service Date	Cost (estimated)	
37	NA					11-019			\$0	
38	NA					11-019			\$0	
39	NA					11-019			\$0	
40	NA					11-019			\$0	
41	NA					11-019			\$0	
42	NA					11-019			\$0	
Subtotal Cost (estimate)									\$0	

FALCON VALLEY/ORACLE  
TABLE 1 (Page 2 of 6)  
Information to be included with SIB-Eligible Project Notification

Project No.	NARTIC Acct No. (SIB- eligible plant)	Replacement Plant Description (SIB-eligible plant)				PW/SID No.	Site (location description)	Replacement Plant		
		Pipe length	Diameter	Material	Cost/Unit			Expected In-Service Date	Cost (estimated)	
37	NA					11-019			\$0	
38	NA					11-019			\$0	
39	NA					11-019			\$0	
40	NA					11-019			\$0	
41	NA									
42	NA									
Subtotal Cost (estimate)										\$0

1. Provide narrative why Replacement Plant is necessary
  - replacement of existing plant that has exceeded its designated useful life and has worn out or is in deteriorating condition due to no fault of the utility
  - replacement of existing plant for other reasons supported by (10% or more)
  - replacement of existing plant for other reasons supported by persuasive showing by utility
2. Provide narrative explaining why this segment of plant is a priority.
3. Provide narrative explaining how replacing this plant will benefit existing customers.
4. Provide affirmation that Replacement Plant does not include the costs for extending or expanding facilities to serve new customers.

**FALCON VALLEY/ORACLE**  
**TABLE 1 (Page 3 of 6)**  
**Information to be included with SIB-Eligible Project Notification**

Project No.	NARJC Acct No. (SIB- eligible plant)	Replacement Plant Description (SIB-eligible plant)			PWSID No.	Site (location description)	Replacement Plant		1. Provide narrative why Replacement Plant is necessary - replacement of existing plant that has exceeded its designated useful life and has worn out or is in deteriorating condition due to no fault of the utility - replacement of existing plant to address excessive water loss (10% or more) - replacement of existing plant for other reasons supported by persuasive showing by utility 2. Provide narrative explaining why this segment of plant is a priority. 3. Provide narrative explaining how replacing this plant will benefit existing customers. 4. Provide affirmation that Replacement Plant does not include the costs for extending or expanding facilities to serve new customers.
		Quantity	Diameter	Material			Expected In-Service Date	Cost (estimated)	
37	345 Services	61	1-inch	Copper	11-019	Beverly Circle	2013	\$165,791	Replace 61 service connections and replace 61 meters along Beverly Circle. The existing water mains have 36 recorded service line leaks over the last 10 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
38	345	35	1-inch	Copper	11-019	Sonberg Drive	2013	\$92,382	Replace 35 service connections and replace 35 meters along Sonberg Drive, Harold Drive and Rockcliff Boulevard. The existing water mains have 21 recorded service line leaks over the last 10 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
39	345	19	1-inch	Copper	11-019	Camino Seco	2014	\$51,979	Replace 19 service connections and replace 19 meters along Camino Seco and Calle Valencia. The existing water mains have 9 recorded service line leaks over the last 5 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
40	345	27	1-inch	Copper	11-019	Adams Street	2014	\$76,611	Replace 27 service connections and replace 27 meters along Adams Street, Howard Street and Logan Street. The existing water mains have 7 recorded service line leaks and 1 water main leak over the last 6 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
41	345	24	1-inch	Copper	11-019	Two O'Clock Hills Road	2015	\$64,051	Replace 24 service connections and replace 24 meters along North Two O'Clock Hills Road and Chaparral Street. The existing water mains have 8 recorded service line leaks over the last 10 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.

[illegible]

## FALCON VALLEY/ORACLE

TABLE 1 (Page 4 of 6)

## Information to be included with SIB-Eligible Project Notification

Project No.	NARUC Acct No. (SIB- eligible plant)	Replacement Plant Description (SIB-eligible plant)			PWSID No.	Site (location description)	Replacement Plant		1. Provide narrative why Replacement Plant is necessary - replacement of existing plant that has exceeded its designated useful life and has worn out or is in deteriorating condition due to no fault of the utility - replacement of existing plant to address excessive water loss (10% or more) - replacement of existing plant for other reasons supported by persuasive showing by utility 2. Provide narrative explaining why this segment of plant is a priority. 3. Provide narrative explaining how replacing this plant will benefit existing customers. 4. Provide affirmation that Replacement Plant does not include the costs for extending or expanding facilities to serve new customers.
		Size	Quantity	Cost/Unit			Expected In-Service Date	Cost (estimated)	
37	346 Meters	5/8-inch	61	80.00	11-019	Beverly Circle	2013	\$4,880	Replace 61 meters along Beverly Circle. The existing meters have reached the end of their useful life. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
38	346	5/8-inch	35	80.00	11-019	Sonberg Drive	2013	\$2,800	Replace 35 meters along Sonberg Drive, Harold Drive and Rockcliff Boulevard. The existing meters have reached the end of their useful life. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
39	346	5/8-inch	19	80.00	11-019	Camino Seco	2014	\$1,520	Replace 19 meters along Camino Seco and Calle Valencia. In 2014 the existing meters are no longer NSF approved due to the new lead free brass requirements. Once a meter is removed from service, a new NSF approved meter has to be installed in its place for compliance. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
40	346	5/8-inch	27	80.00	11-019	Adams Street	2014	\$2,160	Replace 27 meters along Adams Street, Howard Street and Logan Street. In 2014 the existing meters are no longer NSF approved due to the new lead free brass requirements. Once a meter is removed from service, a new NSF approved meter has to be installed in its place for compliance. This replacement project is not being constructed to serve new customers.
41	346	5/8-inch	24	80.00	11-019	Two O'Clock Hills Road	2015	\$1,920	Replace 24 meters along North Two O'Clock Hills Road and Chaparral Street. In 2014 the existing meters are no longer NSF approved due to the new lead free brass requirements. Once a meter is removed from service, a new NSF approved meter has to be installed in its place for compliance. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.

### Information to be included with SIB-Eligible Project Notification

[illegible]

FALCON VALLEY/ORACLE  
TABLE 1 (Page 5 of 6)

[illegible]

Project No.	PWSID No.	Project Description	Cost (estimated)
37	11-019	REPLACE 61 SERVICE CONNECTIONS AND METERS ALONG BEVERLY CIRCLE.	\$170,671
38	11-019	REPLACE 35 SERVICE CONNECTIONS AND METERS ALONG SONBERG DRIVE, HAROLD DRIVE AND ROCKCLIFF BOULEVARD.	\$95,182
39	11-019	REPLACE 19 SERVICE CONNECTIONS AND METERS ALONG CAMINO SECO AND CALLE VALENCIA.	\$51,499
40	11-019	REPLACE 27 SERVICE CONNECTIONS AND METERS ALONG ADAMS STREET, HOWARD STREET AND LOGAN STREET.	\$78,771
41	11-019	REPLACE 24 SERVICE CONNECTIONS AND METERS ALONG NORTH TWO O'CLOCK HILLS ROAD AND CHAPARRAL STREET.	\$65,971
42	11-019	REPLACE 16 SERVICE CONNECTIONS AND METERS ALONG NORTH CEDAR RIDGE DRIVE.	\$44,637
<b>Total Cost (estimate)</b>			<b>\$508,731</b>

TABLE I (Page 1 of 6)

**Information to be included with SIB-Eligible Project Notification**

Information to be included with SIB-eligible plant										
Project No.	NARUC Acct No. (SIB-eligible plant)	Replacement Plant Description (SIB-eligible plant)				PWSID No.	Site (location description)	Replacement Plant		1. Provide narrative why Replacement Plant is necessary - replacement of existing plant that has exceeded its designated useful life and has worn out or is in deteriorating condition due to no fault of the utility - replacement of existing plant to address excessive water loss (10% or more) - replacement of existing plant for other reasons supported by persuasive showing by utility  2. Provide narrative explaining why this segment of plant is a priority.  3. Provide narrative explaining how replacing this plant will benefit existing customers.  4. Provide affirmation that Replacement Plant does not include the costs for extending or expanding facilities to serve new customers.
		Pipe length	Diameter	Material	Cost/Unit			Expected In-Service Date	Cost (estimated)	
43	NA					02-001			\$0	
44	NA					02-001			\$0	
45	NA					02-001			\$0	
46	NA					02-001			\$0	
47	NA					02-001			\$0	
48	NA					02-001			\$0	
49	NA					02-001			\$0	
50	NA					02-001			\$0	
51	NA					02-001			\$0	
52	NA					02-001			\$0	

**COCHISE/BISBEE**  
**TABLE 1 (Page 2 of 6)**  
**Information to be included with SIB-Eligible Project Notification**

Project No.	NARUC Acct No. (SIB- eligible plant)	Replacement Plant Description (SIB-eligible plant)				PWSID No.	Site (location description)	Replacement Plant		1. Provide narrative why Replacement Plant is necessary - replacement of existing plant that has exceeded its designated useful life and has worn out or is in deteriorating condition due to no fault of the utility - replacement of existing plant to address excessive water loss (100% or more) - replacement of existing plant for other reasons supported by persuasive showing by utility 2. Provide narrative explaining why this segment of plant is a priority. 3. Provide narrative explaining how replacing this plant will benefit existing customers. 4. Provide affirmation that Replacement Plant does not include the costs for extending or expanding facilities to serve new customers.
		Pipe length	Diameter	Material	Cost/Unit			Expected In-Service Date	Cost (estimated)	
43	343 T&D Mains	1,900	6	DI	90.27	02-001	Bowers Street	2012	\$171,513	Install approximately 1,900 LF of 6-inch DI replacement pipe with polywrap, replace 22 service connections, replace 22 meters, and replace 1 fire hydrant along Bowers Street from Marie Street to McDonald Street. This project will replace approximately 1,250 LF of 4-inch ST water main installed in 1958 and approximately 150 LF of 1-inch GS water main installed in 1961 on Bowers Street; and approximately 500 LF of 2-inch GS water main installed in 1958 on Marie Street. The existing water mains and service connections to be replaced have 80 recorded leaks over the last 10 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
44	343	700	6	DI	88.34	02-001	Ocotillo Avenue	2012	\$61,838	Install approximately 700 LF of 6-inch DI replacement pipe with polywrap, replace 11 service connections, replace 11 meters, and replace 1 fire hydrant along Ocotillo Street. This project will replace approximately 600 LF of 1-inch GS water main installed in 1945, 1947, and 1950, approximately 250 LF of 1-inch PVC water main installed in 1980, approximately 150 LF of 4-inch ST water main installed in 1960, and approximately 100 LF of 2-inch CU water main installed in 2007 on Ocotillo Street. The existing water mains and service connections to be replaced have 35 recorded leaks over the last 10 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.

**COCHISE/BISBEE**  
**TABLE I (Page 2 of 6) cont.**  
**Information to be included with SIB-Eligible Project Notification**

45	343	2,450	6	DI	92.37	02-001	Ledge Avenue	2014	\$226,307	Install approximately 2,450 LF of 6-inch DI replacement pipe with polywrap, replace 41 service connections, and replace 41 meters along Ledge Avenue and Quality Road. This project will replace approximately 1,050 LF of 1-inch GS water main installed in 1937, 1939, 1958, and 1962; approximately 100 LF of 2-inch ST water main installed in 2002; approximately 1,000 LF of 2-inch GS water main installed in 1932 and 1947; and approximately 200 LF of 3-inch GS water main installed in 1947. The existing water mains and service connections to be replaced have 35 recorded leaks over the last 10 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
46	343	900	6	DI	92.09	02-001	Highway 80	2014	\$82,881	Install approximately 900 LF of 6-inch DI replacement pipe with polywrap, replace 1 service connection, and replace 1 meter along Highway 80 and Winwood Road. This project will replace approximately 900 LF of 1-inch PVC water main installed in 1980 on Winwood Road. The existing water mains and service connections to be replaced have 22 recorded leaks over the last 10 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
47	343	1,650	6	DI	91.98	02-001	Ledge Avenue	2014	\$151,767	Install approximately 1,650 LF of 6-inch DI replacement pipe with polywrap, replace 20 service connections, and replace 20 meters along Ledge Avenue, Quality Road and Alleys. This project will replace approximately 150 LF of 1-inch GS water main installed in 1939, approximately 100 LF of 1-inch PVC water main installed in 1976, approximately 750 LF of 2-inch GS water main installed in 1939 and 1947; and approximately 350 LF of 3-inch GS water main installed in 1932 and 1952. The existing water mains and service connections to be replaced have 21 recorded leaks over the last 10 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
48	343	2,900	6	DI	91.66	02-001	Teran Street	2013	\$265,814	Install approximately 2,900 LF of 6-inch DI replacement pipe with polywrap, replace 22 service connections, and replace 22 meters along Teran Street, Aruiza Street, Carbajal Street, and Vargas Street. This project will replace approximately 700 LF of 1-inch GS water main installed in 1938, approximately 800 LF of 2-inch GS water main installed in 1938, and approximately 1,300 LF of 6-inch ST water main installed in 1908 and 1976. The existing water mains and service connections to be replaced have 20 recorded leaks over the last 10 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.

49	343	700	6	DI	88.73	02-001	Park Avenue	2013	\$62,111	Install approximately 700 LF of 6-inch DI replacement pipe with polywrap, replace 12 service connections, replace 12 meters, and replace 1 fire hydrant along Park Avenue. This project will replace approximately 650 LF of 2-inch GS water main installed in 1920 and 1967; approximately 300 LF of 4-inch GS water main installed in 1922, and approximately 250 LF of 6-inch ST water main installed in 1922 on Second Street. The existing water mains and service connections to be replaced have 16 recorded leaks over the last 10 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
50	343	600	6	DI	92.16	02-001	Brophy Avenue	2014	\$55,296	Install approximately 600 LF of 6-inch DI replacement pipe with polywrap, replace 11 service connections, and replace 11 meters along Brophy Avenue. This project will replace approximately 400 LF of 1-inch GS water main installed in 1944 and approximately 200 LF of 2-inch CU water main installed in 1980 on Brophy Avenue. The existing water mains and service connections to be replaced have 15 recorded leaks over the last 10 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
51	343	1,000	6	DI	86.18	02-001	Cole Avenue	2014	\$86,180	Install approximately 1,000 LF of 6-inch DI replacement pipe with polywrap, replace 7 service connections, replace 7 meters, and replace 2 fire hydrants along Cole Avenue. This project will replace approximately 800 LF of 6-inch ST water main installed in 1908 and approximately 150 LF of 8-inch ST water main installed in 1908 on Cole Avenue. The existing water mains and service connections to be replaced have 14 recorded leaks over the last 10 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
52	343	400	6	DI	85.06	02-001	Church Street	2012	\$34,024	Install approximately 400 LF of 6-inch DI replacement pipe with polywrap, replace 7 service connections, replace 7 meters, and replace 1 fire hydrant along Church Street from Clawson Avenue to Sowels Avenue. This project will replace approximately 300 LF of 4-inch ST water main installed in 1930, 1975, and 1978 and approximately 100 LF of 6-inch ST water main installed in 1908 on Church Street. The existing water mains and service connections to be replaced have 12 recorded leaks over the last 10 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
<b>Subtotal Cost (estimate)</b>									<b>\$1,197,731</b>	

**COCHISE/BISBEE**  
**TABLE 1 (Page 3 of 6)**  
**Information to be included with SIB-Eligible Project Notification**

Project No.	NARUC Acct No. (SIB-eligible plant)	Replacement Plant Description (SIB-eligible plant)			PWSID No.	Site (location description)	Replacement Plant		1. Provide narrative why Replacement Plant is necessary - replacement of existing plant that has exceeded its designated useful life and has worn out or is in deteriorating condition due to no fault of the utility - replacement of existing plant to address excessive water loss (10% or more) - replacement of existing plant for other reasons supported by persuasive showing by utility 2. Provide narrative explaining why this segment of plant is a priority. 3. Provide narrative explaining how replacing this plant will benefit existing customers. 4. Provide affirmation that Replacement Plant does not include the costs for extending or expanding facilities to serve new customers.
		Quantity	Diameter	Material			Expected In-Service Date	Cost (estimated)	
43	345 Services	22	1-inch	Copper	02-001	Bowers Street	2012	\$56,225	Install approximately 1,900 LF of 6-inch DI replacement pipe with polywrap, replace 22 service connections, replace 22 meters, and replace 1 fire hydrant along Bowers Street from Marie Street to McDonald Street. This project will replace approximately 1,250 LF of 4-inch ST water main installed in 1958 and approximately 150 LF of 1-inch GS water main installed in 1961 on Bowers Street; and approximately 500 LF of 2-inch GS water main installed in 1958 on Marie Street. The existing water mains and service connections to be replaced have 80 recorded leaks over the last 10 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
44	345	11	1-inch	Copper	02-001	Ocotillo Avenue	2012	\$29,413	Install approximately 700 LF of 6-inch DI replacement pipe with polywrap, replace 11 service connections, replace 11 meters, and replace 1 fire hydrant along Ocotillo Street. This project will replace approximately 600 LF of 1-inch GS water main installed in 1945, 1947, and 1950, approximately 250 LF of 1-inch PVC water main installed in 1980, approximately 150 LF of 4-inch ST water main installed in 1960, and approximately 100 LF of 2-inch CU water main installed in 2007 on Ocotillo Street. The existing water mains and service connections to be replaced have 35 recorded leaks over the last 10 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.

COCHISE/BISBEE  
TABLE I (Page 3 of 6) cont.  
Information to be included with SIB-Eligible Project Notification

45	345	41	1-inch	Copper	2,178.15	02-001	Ledge Avenue	2014	\$89,304	Install approximately 2,450 LF of 6-inch DI replacement pipe with polywrap, replace 41 service connections, and replace 41 meters along Ledge Avenue and Quality Road. This project will replace approximately 1,050 LF of 1-inch GS water main installed in 1937, 1939, 1958, and 1962; approximately 100 LF of 2-inch ST water main installed in 1932 and 1947; and approximately 200 LF of 3-inch GS water main installed in 1947. The existing water mains and service connections to be replaced have 35 recorded leaks over the last 10 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
46	345	1	1-inch	Copper	1,717.75	02-001	Highway 80	2014	\$1,718	Install approximately 900 LF of 6-inch DI replacement pipe with polywrap, replace 1 service connection, and replace 1 meter along Highway 80 and Winwood Road. This project will replace approximately 900 LF of 1-inch PVC water main installed in 1980 on Winwood Road. The existing water mains and service connections to be replaced have 22 recorded leaks over the last 10 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
47	345	20	1-inch	Copper	1,954.85	02-001	Ledge Avenue	2014	\$39,097	Install approximately 1,650 LF of 6-inch DI replacement pipe with polywrap, replace 20 service connections, and replace 20 meters along Ledge Avenue, Quality Road and Alleys. This project will replace approximately 150 LF of 1-inch GS water main installed in 1939, approximately 100 LF of 1-inch PVC water main installed in 1976, approximately 750 LF of 2-inch GS water main installed in 1939 and 1947, and approximately 350 LF of 3-inch GS water main installed in 1932 and 1952. The existing water mains and service connections to be replaced have 21 recorded leaks over the last 10 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
48	345	22	1-inch	Copper	2,052.15	02-001	Teran Street	2013	\$45,147	Install approximately 2,900 LF of 6-inch DI replacement pipe with polywrap, replace 22 service connections, and replace 22 meters along Teran Street, Arizua Street, Carbajal Street, and Vargas Street. This project will replace approximately 700 LF of 1-inch GS water main installed in 1938, approximately 800 LF of 2-inch GS water main installed in 1938, and approximately 1,300 LF of 6-inch ST water main installed in 1908 and 1976. The existing water mains and service connections to be replaced have 20 recorded leaks over the last 10 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.

**Information to be included with SIB-Eligible Project Notification**

49	345	12	1-inch	Copper	2,698.67	02-001	Park Avenue	2013	\$32,384	Install approximately 700 LF of 6-inch DI replacement pipe with polywrap, replace 12 service connections, replace 12 meters, and replace 1 fire hydrant along Park Avenue. This project will replace approximately 650 LF of 2-inch GS water main installed in 1920 and 1967; approximately 300 LF of 4-inch GS water main installed in 1922; and approximately 250 LF of 6-inch ST water mains and service connections to be replaced have 16 recorded leaks over the last 10 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
50	345	11	1-inch	Copper	1,875.09	02-001	Brophy Avenue	2014	\$20,626	Install approximately 600 LF of 6-inch DI replacement pipe with polywrap, replace 11 service connections, and replace 11 meters along Brophy Avenue. This project will replace approximately 400 LF of 1-inch GS water main installed in 1944 and approximately 200 LF of 2-inch CU water main installed in 1980 on Brophy Avenue. The existing water mains and service connections to be replaced have 15 recorded leaks over the last 10 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
51	345	7	1-inch	Copper	2,985.16	02-001	Cole Avenue	2014	\$20,896	Install approximately 1,000 LF of 6-inch DI replacement pipe with polywrap, replace 7 service connections, replace 7 meters, and replace 2 fire hydrants along Cole Avenue. This project will replace approximately 800 LF of 6-inch ST water main installed in 1908 and approximately 150 LF of 8-inch ST water main installed in 1908 on Cole Avenue. The existing water mains and service connections to be replaced have 14 recorded leaks over the last 10 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
52	345	7	1-inch	Copper	2,507.04	02-001	Church Street	2012	\$17,549	Install approximately 400 LF of 6-inch DI replacement pipe with polywrap, replace 7 service connections, replace 7 meters, and replace 1 fire hydrant along Church Street from Clawson Avenue to Sowers Avenue. This project will replace approximately 300 LF of 4-inch ST water main installed in 1930, 1975, and 1978 and approximately 100 LF of 6-inch ST water mains and service connections to be replaced have 12 recorded leaks over the last 10 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
<b>Subtotal Cost (estimate)</b>										<b>\$352,359</b>

**COCHISE/BISBEE**  
**TABLE 1 (Page 4 of 6)**  
**Information to be included with SIB-Eligible Project Notification**

Project No.	NARUC Acct No. (SIB- eligible plant)	Replacement Plant Description (SIB-eligible plant)			PWSID No.	Site (location description)	Replacement Plant		1. Provide narrative why Replacement Plant is necessary - replacement of existing plant that has exceeded its designated useful life and has worn out or is in deteriorating condition due to no fault of the utility - replacement of existing plant to address excessive water loss (10% or more) - replacement of existing plant for other reasons supported by persuasive showing by utility 2. Provide narrative explaining why this segment of plant is a priority. 3. Provide narrative explaining how replacing this plant will benefit existing customers. 4. Provide affirmation that Replacement Plant does not include the costs for extending or expanding facilities to serve new customers.
		Size	Quantity	Cost/Unit			Expected In-Service Date	Cost (estimated)	
43	346	5/8-inch	22	80.00	02-001	Bowers Street	2012	\$1,760	Replace 22 meters along Bowers Street from Marie Street to McDonald Street. The existing meters have reached the end of their useful life. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
44	346	5/8-inch	11	80.00	02-001	Ocotillo Avenue	2012	\$880	Replace 11 meters along Ocotillo Street. The existing meters have reached the end of their useful life. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
45	346	5/8-inch	41	80.00	02-001	Ledge Avenue	2014	\$3,280	Replace 41 meters along Ledge Avenue and Quality Road. In 2014 the existing meters are no longer NSF approved due to the new lead free brass requirements. Once a meter is removed from service, a new NSF approved meter must be installed in its place for compliance. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
46	346	5/8-inch	1	80.00	02-001	Highway 80	2014	\$80	Replace 1 meter along Highway 80 and Winwood Road. In 2014 the existing meters are no longer NSF approved due to the new lead free brass requirements. Once a meter is removed from service, a new NSF approved meter must be installed in its place for compliance. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
47	346	5/8-inch	20	80.00	02-001	Ledge Avenue	2014	\$1,600	Replace 20 meters along Ledge Avenue, Quality Road and Alleys. In 2014 the existing meters are no longer NSF approved due to the new lead free brass requirements. Once a meter is removed from service, a new NSF approved meter must be installed in its place for compliance. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.

**COCHISE/BISBEE**  
**TABLE I (Page 4 of 6) cont.**  
**Information to be included with SIB-Eligible Project Notification**

48	346	5/8-inch	22	80.00	02-001	Teran Street	2013	\$1,760	Replace 22 meters along Teran Street, Antuza Street, Carbajal Street, and Vargas Street. The existing meters have reached the end of their useful life. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
49	346	5/8-inch	12	80.00	02-001	Park Avenue	2013	\$960	Replace 12 meters along Park Avenue. The existing meters have reached the end of their useful life. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
50	346	5/8-inch	11	80.00	02-001	Brophy Avenue	2014	\$880	Replace 11 meters along Brophy Avenue. In 2014 the existing meters are no longer NSF approved due to the new lead free brass requirements. Once a meter is removed from service, a new NSF approved meter must be installed in its place for compliance. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
51	346	5/8-inch	7	80.00	02-001	Cole Avenue	2014	\$560	Replace 7 meters along Cole Avenue. In 2014 the existing meters are no longer NSF approved due to the new lead free brass requirements. Once a meter is removed from service, a new NSF approved meter must be installed in its place for compliance. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
52	346	5/8-inch	7	80.00	02-001	Church Street	2012	\$560	Replace 7 meters along Church Street from Clawson Avenue to Sowsel Avenue. The existing meters have reached the end of their useful life. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
<b>Subtotal Cost (estimate)</b>								<b>\$12,320</b>	

**COCHISE/BISBEE**  
**TABLE 1 (Page 5 of 6)**  
**Information to be included with SIB-Eligible Project Notification**

Project No.	NARUC Acct No. (SIB- eligible plant)	Replacement Plant Description (SIB-eligible plant)		PWSID No.	Site (location description)	Replacement Plant		1. Provide narrative why Replacement Plant is necessary - replacement of existing plant that has exceeded its designated useful life and has worn out or is in deteriorating condition due to no fault of the utility - replacement of existing plant to address excessive water loss (10% or more) - replacement of existing plant for other reasons supported by persuasive showing by utility
		Quantity	Cost/Unit			Expected In- Service Date	Cost (estimated)	
43	348 Hydrants	1	2,876.32	02-001	Bowers Street	2012	\$2,876	2. Provide narrative explaining why this segment of plant is a priority. 3. Provide narrative explaining how replacing this plant will benefit existing customers. 4. Provide affirmation that Replacement Plant does not include the costs for extending or expanding facilities to serve new customers. Replace 1 fire hydrant along Bowers Street from Marie Street to McDonald Street. This project will replace a fire hydrant installed in 1958 along Bowers Street. The existing hydrant is old and failing, requiring replacement. Replacement parts are unavailable for this hydrant. This replacement is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
44	348	1	2,524.87	02-001	Ocotillo Avenue	2012	\$2,525	Replace 1 fire hydrant along Ocotillo Street. This project will replace a fire hydrant installed in 1960 along Ocotillo Street. The existing hydrant is old and failing requiring replacement. Replacement parts are unavailable for this hydrant. This replacement is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
45	NA			02-001			\$0	
46	NA			02-001			\$0	
47	NA			02-001			\$0	
48	NA			02-001			\$0	
49	348	1	2,615.10	02-001	Park Avenue	2013	\$2,615	Replace 1 fire hydrant along Park Avenue. This project will replace a fire hydrant installed in 1920 along Park Avenue. The existing hydrant is old and failing requiring replacement. Replacement parts are unavailable for this hydrant. This replacement is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
50	NA			02-001			\$0	
51	348	2	2,634.45	02-001	Cole Avenue	2014	\$5,269	Replace 2 fire hydrants along Cole Avenue. This project will replace fire hydrants installed in 1908 along Cole Avenue. The existing hydrants are old and failing requiring replacement. Replacement parts are unavailable for these hydrants. This replacement is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.

**Information to be included with SIB-Eligible Project Notification**

[illegible]

**COCHISE/BISBEE**

**TABLE I (Page 6 of 6, Summary)**

### Information to be included with SIB-Eligible Project Notification

Project No.	PWSID No.	Project Description	Cost (estimated)
43	02-001	INSTALL 1,900 LF OF 6-INCH DIP w/POLYWRAP AND REPLACE 22 SERVICE CONNECTIONS ALONG BOWERS STREET FROM MARIE STREET TO McDONALD STREET.	\$232,374
44	02-001	INSTALL 700 LF OF 6-INCH DIP W/POLYWRAP AND REPLACE 11 SERVICE CONNECTIONS ALONG OCOTILLO AVENUE.	\$94,656
45	02-001	INSTALL 2,450 LF OF 6-INCH DIP w/POLYWRAP AND REPLACE 41 SERVICE CONNECTIONS ALONG LEDGE AVENUE AND QUALITY ROAD.	\$318,891
46	02-001	INSTALL 900 LF OF 6-INCH DIP w/POLYWRAP AND REPLACE 1 SERVICE CONNECTION ALONG HIGHWAY 80 AND WINWOOD ROAD.	\$84,679
47	02-001	INSTALL 1,650 LF OF 6-INCH DIP w/POLYWRAP AND REPLACE 20 SERVICE CONNECTIONS ALONG LEDGE AVENUE, QUALITY ROAD, AND ALLEYS.	\$192,464
48	02-001	INSTALL 2,900 LF OF 6-INCH DIP w/POLYWRAP AND REPLACE 22 SERVICE CONNECTIONS ALONG TERAN STREET, ARUIZU STREET, CARBAJAL STREET, AND VARGAS STREET.	\$312,721
49	02-001	INSTALL 700 LF OF 6-INCH DIP w/POLYWRAP AND REPLACE 12 SERVICE CONNECTIONS ALONG PARK AVENUE.	\$98,070
50	02-001	INSTALL 600 LF OF 6-INCH DIP w/POLYWRAP AND REPLACE 11 SERVICE CONNECTIONS ALONG BROPHY AVENUE.	\$76,802
51	02-001	INSTALL 1,000 LF OF 6-INCH DIP w/POLYWRAP AND REPLACE 7 SERVICE CONNECTIONS ALONG COLE AVENUE.	\$112,905
52	02-001	INSTALL 400 LF OF 6-INCH DIP w/POLYWRAP AND REPLACE 7 SERVICE CONNECTIONS ALONG CHURCH STREET FROM CLAWSON AVENUE TO SOWELS AVENUE.	\$54,877
Total Cost (estimate)			\$1,578,439

## **EXHIBIT B**

## ARIZONA WATER COMPANY

Docket No. W-01445A-11-0310

Calculation of Overall SIB True-Up and Individual True-Up Surcharge/Credit

As of December 31, 2012

SIB Schedule B

DOCKET NO. W-01445A-12-0348

## SIB Schedule B

Line No.	(A)	(B)
1	<u>SUPERSTITION</u>	
2	\$ 335,722	
3		
4	\$ (16,786)	
5		
6		
7		\$ 318,936
8		
9	\$ 310,000	
10		
11	\$ (15,500)	
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13		\$ 284,500
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## CALCULATION OF OVERALL SIB REVENUE TRUE-UP FROM PRIOR 12-MONTH SIB SURCHARGE PERIOD

Overall SIB Revenue Requirement from Prior 12-Month SIB Surcharge Period

Overall SIB Efficiency Credit from Prior 12-Month SIB Surcharge Period

Total SIB Revenue Requirement Net of Efficiency Credit - Prior 12-Month SIB Surcharge Period

Total SIB Surcharge Revenues from Prior 12-Month SIB Surcharge Period

Total SIB Efficiency Credit Refunds from Prior 12-Month SIB Surcharge Period

Total SIB Surcharge Revenues Net of Efficiency Credit from Prior 12-Month SIB Surcharge Period

Net SIB Surcharge Under/(Over)-Collections from Prior 12-Month SIB Surcharge Period (ln. 6 - ln. 12)

ARIZONA WATER COMPANY

Docket No. W-01445A-11-0310  
Calculation of Overall SIB True-Up and Individual True-Up Surcharge/Credit  
As of December 31, 2012

(A) (B) (C) (D) (E)

CALCULATION OF INDIVIDUAL SIB FIXED TRUE-UP SURCHARGE/CREDIT

Line No.	(A)	(B)	(C)	(D)	(E)
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Net SIB Surcharge Under/(Over) Collections from Prior 12-Month SIB Surcharge Period (p. 1, ln. 14) \$ 24,436

Individual SIB Fixed True-Up Surcharge/(Credit) Per 5/8 x 3/4-inch Equivalent Meter (ln. 24 + col. C, ln. 19 + 12) 0.07

**EXHIBIT C**

### Information to be included with SIB-Eligible Completed Project Filings

[illegible]

### Information to be included with SIB-Eligible Completed Project Filings

[illegible]

**Information to be included with SIB-Eligible Completed Project Filings**

[illegible]

### Information to be included with SIB-Eligible Completed Project Filings

[illegible]



SIB PLANT TABLE II (Page 6 of 6, Summary)

[illegible]

**EXHIBIT D**

## ARIZONA WATER COMPANY

Docket No. W-01445A-11-0310

Calculation of Overall SIB Revenue Requirement and Individual Surcharge

As of December 31, 2012

SIB Schedule A

DOCKET NO. W-01445A-12-0348

## SIB Schedule A

## CALCULATION OF OVERALL SIB REVENUE REQUIREMENT &amp; EFFICIENCY CREDIT

Line No.	(A)	(B)
1	SUPERSTITITION	
2	\$ 17,846,923	
3		
4	SIB Revenue Cap %	5.00%
5		
6	Net SIB Revenue Cap (ln. 2 x ln. 4)	\$ 692,446
7		
8	SIB-Eligible Plant in Service - Per SIB Table II Summary	\$ 2,000,000
9		
10	Accumulated Depreciation - 1/2-Year Convention (ln. 24 x .5)	27,700
11		
12	SIB Rate Base (ln. 8 - ln. 10)	\$ 1,972,300
13		
14	Required Rate of Return - Decision No. 73736	8.72%
15		
16	Required SIB Operating Income (ln. 12 x ln. 14)	\$ 171,985
17		
18	Gross Revenue Conversion Factor/Tax Multiplier - Per Decision No. 73736	1.8590
19		
20	Revenue Requirement - Return on SIB-Eligible Rate Base (ln. 16 x ln. 18)	\$ 285,322
21		
22	Applicable Depreciation Rate - Per Decision No. 73736	2.77%
23		
24	SIB Depreciation Expense (ln. 8 x ln. 22)	\$ 55,400
25		
26	Less: Depreciation Expense Associated with Applicable Retirements - Per SIB Table II Summary	\$ 6,000
27		
28	Net Depreciation Expense - SIBA Eligible Plant (ln. 24 - ln. 26)	\$ 50,400
29		
30	SIB Capital Costs - Pre-Tax Return & Depreciation (ln. 20 + ln. 28)	\$ 335,722
31		
32	Under or Over Recovery from Previous Period	\$ 4
33		
34		
35	Overall SIB Revenue Requirement - Lesser of Net SIB Revenue Cap or SIB Capital Costs	\$ 335,722
36		
37	SIB Efficiency Credit %	-5.00%
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39	Overall SIB Efficiency Credit (ln. 35 x ln. 37)	\$ (16,786)
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## ARIZONA WATER COMPANY

Docket No. W-01445A-11-0310

Calculation of Overall SIB Revenue Requirement and Individual Surcharge

As of December 31, 2012

CALCULATION OF INDIVIDUAL SIB FIXED SURCHARGE AND EFFICIENCY CREDIT									
Line No.	Customer Meter Size	No. of Customers 12/31/2012	5/8 x 3/4-inch Equivalent Meters (C X F)	SIB Surcharge		SIB Efficiency Credit			
				Individual Fixed Surcharge	Annual Revenue by Meter Size	Individual Fixed Credit	Annual Refund by Meter Size		
1									
2									
3									
4									
5									
6									
7									
8	5/8 x 3/4-inch	21,521	21,521	\$ 0.91	\$ 234,900	\$ (0.05)	\$ (11,745.00)		
9	1-inch	1,824	4,559	\$ 2.27	\$ 49,763	\$ (0.11)	\$ (2,488.16)		
10	1 1/2-inch			\$ 4.55		\$ (0.23)			
11	2-inch	285	2,278	\$ 7.28	\$ 24,864	\$ (0.36)	\$ (1,243.21)		
12	3-inch	31	492	\$ 14.55	\$ 5,370	\$ (0.73)	\$ (268.51)		
13	4-inch	21	523	\$ 22.74	\$ 5,708	\$ (1.14)	\$ (285.38)		
14	6-inch	25	1,226	\$ 45.48	\$ 13,371	\$ (2.27)	\$ (888.54)		
15	8-inch	2	160	\$ 72.77	\$ 1,746	\$ (3.64)	\$ (87.32)		
16	10-inch			\$ 104.60	\$ -	\$ (5.23)			
17									
18	Totals	23,708	30,758		\$ 335,722		\$ (16,786)		
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Overall SIB Revenue Requirement (p. 1, ln. 32)									
						\$ 335,722			\$ 0.91
Individual SIB Fixed Surcharge Per 5/8 x 3/4-inch Equivalent Meter (ln. 24 + col. C, ln. 19 + 12)									
Overall SIB Efficiency Credit (p. 1, ln. 36)									
						\$ (16,786)			\$ (0.05)
Individual SIB Fixed Efficiency Credit Per 5/8 x 3/4-inch Equivalent Meter (ln. 28 + col. C, ln. 19 + 12)									

**EXHIBIT E**

## ARIZONA WATER COMPANY

Docket No. W-01445A-11-0310

Typical Bill Analysis - Residential 5/8 x 3/4-Inch Meter

As of December 31, 2012

SIB Schedule C

DOCKET NO. W-01445A-12-0348

## SIB Schedule C

Line No.	Gallons Consumed	SUPERSTITION							Percent SIB Increase
		(A) Present Bill	(B) SIB Fixed Surcharge	(C) SIB Efficiency Credit	(D) True-Up Surcharge / (Credit)	(E) Total Pro Forma Bill	(F) Net SIB Increase		
1		\$ 22.26	\$ 0.91	(0.05)	\$ 0.07	\$ 23.19	\$ 0.93	4.2%	
2	1,000	23.89	0.91	(0.05)	0.07	24.82	0.93	3.9%	
3	2,000	25.53	0.91	(0.05)	0.07	26.46	0.93	3.6%	
4	3,000	27.16	0.91	(0.05)	0.07	28.09	0.93	3.4%	
5	4,000	30.49	0.91	(0.05)	0.07	31.42	0.93	3.1%	
6	5,000	33.82	0.91	(0.05)	0.07	34.75	0.93	2.8%	
7	6,000	37.14	0.91	(0.05)	0.07	38.07	0.93	2.5%	
8	7,000	40.47	0.91	(0.05)	0.07	41.40	0.93	2.3%	
9	8,000	43.80	0.91	(0.05)	0.07	44.73	0.93	2.1%	
10	9,000	47.12	0.91	(0.05)	0.07	48.05	0.93	2.0%	
11	10,000	50.45	0.91	(0.05)	0.07	51.38	0.93	1.8%	
12	11,000	53.78	0.91	(0.05)	0.07	54.71	0.93	1.7%	
13	12,000	57.11	0.91	(0.05)	0.07	58.04	0.93	1.5%	
14	13,000	60.44	0.91	(0.05)	0.07	61.37	0.93	1.4%	
15	14,000	63.77	0.91	(0.05)	0.07	64.70	0.93	1.3%	
16	15,000	67.10	0.91	(0.05)	0.07	68.03	0.93	1.2%	
17	20,000	98.42	0.91	(0.05)	0.07	99.35	0.93	0.9%	
18	25,000	122.41	0.91	(0.05)	0.07	123.34	0.93	0.8%	
23	Residential Bill at Average Consumption of 6,300 Gallons	\$ 38.14	\$ 0.91	(0.05)	\$ 0.07	\$ 39.07	\$ 0.93	2.4%	
27	Basic Service Charge	\$ 22.26	\$ 0.91	(0.05)	\$ 0.07	\$ 23.19	\$ 0.93	4.2%	
29	Commodity Rate Per 1,000 Gallons								
30	0 - 3,000 Gallons	\$ 1.6340	n/a	n/a	n/a	n/a	n/a	n/a	
31	3,001 - 10,000 Gallons	\$ 3.3270	n/a	n/a	n/a	n/a	n/a	n/a	
32	Over 10,000 Gallons	\$ 4.7970	n/a	n/a	n/a	n/a	n/a	n/a	

**EXHIBIT F**

## ARIZONA WATER COMPANY

Docket No. W-01445A-11-0310

Fair Value Rate Base, Revenue &amp; Rate of Return

As of December 31, 2012

## SIB Schedule D

Line No.	[A] Per Decision 73736	[B] Net SIB Step-1 Increase	[C] Net SIB Step-2 Increase	[D] Net SIB Step-3 Increase	[E] Net SIB Step-4 Increase	[F] Net SIB Step-5 Increase	[G] Pro Forma With SIB
1							
2	Total Operating Revenue	\$ 17,846,923	\$ 318,938	\$ -	\$ -	\$ -	\$ 18,167,859
3	Operating Expenses						
4	Operations & Maintenance	\$ 8,057,876	\$ -	\$ -	\$ -	\$ -	\$ 8,057,876
5	Depreciation & Amortization	2,671,694	50,400	-	-	-	2,722,094
6	Taxes Other than Income	1,049,113	-	-	-	-	1,049,113
7	Income Taxes	1,695,023	106,663	-	-	-	1,801,686
8	Total Operating Expenses	\$ 13,473,706	\$ 157,063	\$ -	\$ -	\$ -	\$ 13,630,769
9	Operating Income (ln. 1 - ln. 8)	\$ 4,376,217	\$ 161,874	\$ -	\$ -	\$ -	\$ 4,537,091
10	Interest Expense	3.34%	3.34%	3.34%	3.34%	3.34%	3.34%
11	Weighted Avg. Cost of Debt						
12	Interest Expense (ln. 13 x ln. 19)	\$ 1,876,832	\$ 65,914	\$ -	\$ -	\$ -	\$ 1,942,746
13	Net Income (ln. 10 - ln. 14)	\$ 2,698,385	\$ 95,959	\$ -	\$ -	\$ -	\$ 2,794,344
14	Rate Base - O.C.L.D.	\$ 50,174,504	\$ 1,972,300	\$ -	\$ -	\$ -	\$ 52,146,804
15	Return on Rate Base - O.C.L.D. (ln. 10 + ln. 19)	8.72%	8.21%	0.00%	0.00%	0.00%	8.70%
16	Authorized Return on Rate Base	8.72%	8.72%	8.72%	8.72%	8.72%	8.72%
17	Capital Structure						
18	Debt %	49.03%	49.03%	49.03%	49.03%	49.03%	49.03%
19	Equity %	50.97%	50.97%	50.97%	50.97%	50.97%	50.97%
20	Total Equity (ln. 19 x ln. 27)	\$ 25,573,945	\$ 1,005,281	\$ -	\$ -	\$ -	\$ 26,579,226
21	Authorized Return on Equity	10.55%	10.55%	10.55%	10.55%	10.55%	10.55%
22	Return on Equity (ln. 16 + ln. 29)	10.55%	9.55%	0.00%	0.00%	0.00%	10.51%
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## **EXHIBIT 2**

## TARIFF SCHEDULE

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**ARIZONA WATER COMPANY**

Filed by: William M. Garfield

Title: President

Date of Original Filing

System(s): Sedona PWS No. 03-003&

Valley Vista PWS No. 13-114

(VERDE VALLEY DIVISION / SEDONA)

A.C.C. No.

Cancelling A.C.C. No.

Tariff or Schedule No.

Filed:

Effective:

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### OFF-SITE FACILITIES FEE (WATER)

#### **I. Purpose and Applicability**

The purpose of the off-site facilities fees payable to Arizona Water Company ("the Company") pursuant to this tariff is to equitably apportion the costs of constructing additional off-site facilities necessary to provide water production, treatment, delivery, storage and pressure among all new service connections. These charges are applicable to all new service connections established after the effective date of this tariff undertaken via Main Extension Agreements or requests for service not requiring a Main Extension Agreement. The charges are one-time charges and are payable as a condition to Company's establishment of service, as more particularly provided below.

#### **II. Definitions**

Unless the context otherwise requires, the definitions set forth in R-14-2-401 of the Arizona Corporation Commission's ("Commission") rules and regulations governing water utilities shall apply in interpreting this tariff schedule.

"Applicant" means any party entering into an agreement with Company for the installation of water facilities to serve new service connections, including Developers and/or Builders of new residential subdivisions and/or commercial and industrial properties.

"Company" means Arizona Water Company.

"System" means Public Water System ("PWS"), as defined by Arizona Department of Environmental Quality.

"Main Extension Agreement" means any agreement whereby an Applicant agrees to advance the costs of the installation of water facilities necessary for the Company to serve new service connections within a development, or installs such water facilities necessary to serve new service connections and transfer ownership of such water facilities to the Company, which agreement shall require the approval of the

**ARIZONA WATER COMPANY  
OFF-SITE FACILITIES FEE (WATER)**

(continued)

Commission pursuant to A.A.C. R-14-2-406, and shall have the same meaning as "Water Facilities Agreement" or "Line Extension Agreement."

"Off-site Facilities" means wells, storage tanks, water treatment facilities, that are not otherwise supported by an Arsenic Cost Recovery Mechanism ("ACRM"), and related appurtenances and equipment necessary for proper operation of such water treatment facilities, including engineering and design costs. Off-site facilities may also include booster pumps, pressure tanks, transmission mains and related appurtenances and equipment necessary for proper operation of such facilities if these facilities are not for the exclusive use of the applicant and will benefit the entire water system (Either all of Valley Vista or all of Sedona).

"Service Connection" means and includes all service connections for single-family residential or commercial, industrial other uses, regardless of meter size.

**III. Off-Site Water Facilities Fee**

For each new service connection, the Company shall collect an off-site facilities fee derived from the following table:

<b>OFF-SITE FACILITIES FEE TABLE</b>		
<b>Meter Size</b>	<b>Size Factor</b>	<b>Total Fee</b>
5/8" x 3/4 "	1	\$1,100
3/4"	1.5	\$1,650
1"	2.5	\$2,750
1-1/2 "	5	\$5,500
2"	8	\$8,800
3"	16	\$17,600
4"	25	\$27,500
6" or larger	50	\$55,000

**IV. Terms and Conditions**

(A) Assessment of One Time Off-Site Facilities Fee: The off-site facilities fee may be assessed only once per parcel, service connection, or lot within a subdivision (similar to meter and service line installation charge). These charges are not applicable to additional service connections that are established as back-up connections, under the condition that these service connections are not to be used at the same time.

(B) Use of Off-Site Facilities Fee: Off-site facilities fees may only be used to pay for capital items of off-site facilities or for repayment of loans obtained to fund the cost of installation of off-site facilities. Off-site facilities fees shall not be used to cover repairs,

**ARIZONA WATER COMPANY  
OFF-SITE FACILITIES FEE (WATER)**

(continued)

maintenance, or operational costs. The Company shall record amounts collected under tariff as Contributions in Aid of Construction ("CIAC"); however, such amounts shall not be deducted from rate base until such amounts have been expended for utility plant.

(C) Time of Payment:

- (1) For those requiring a Main Extension Agreement: In the event that the Applicant is required to enter into a Main Extension Agreement, whereby the Applicant agrees to advance the costs of installing mains, valves, fittings, hydrants and other on-site improvements or construct such improvements in order to extend service in accordance with R-14-2-406(B), payment of the off-site facilities fees required hereunder shall be made by the Applicant no later than 15 calendar days after receipt of notification from the Company that the Utilities Division of the Arizona Corporation Commission has approved the Main Extension Agreement in accordance with R-14-2-406(M). Except for those off-site facilities excluded from the definition above, Off-site Facilities shall not be included in the Main Extension Agreement.

- (2) For those connecting to an existing main: In the event that the Applicant is not required to enter into a Main Extension Agreement, the off-site facilities fee charges hereunder shall be due and payable at the time the meter and service line installation fee is due and payable.

(D) Off-Site Facilities Construction By Developer: Company and Applicant may agree to construction of off-site facilities necessary to serve a particular development by Applicant, which facilities are then conveyed to Company. In that event, Company shall credit the total cost of such off-site facilities as an offset to off-site facilities fees due under this Tariff. If the total cost of the off-site facilities constructed by Applicant and conveyed to Company is less than the applicable off-site facilities fees under this Tariff, Applicant shall pay the remaining amount of off-site facilities fees owed hereunder. If the total cost of the off-site facilities contributed by Applicant and conveyed to Company is more than the applicable off-site facilities fees under this Tariff, Applicant shall be refunded the difference upon acceptance of the off-site facilities by the Company.

(E) Failure to Pay Charges; Delinquent Payments: The Company will not be obligated to make an advance commitment to provide or actually provide water service to any Applicant in the event that the Applicant has not paid in full all charges hereunder. Under no circumstances will the Company set a meter or otherwise allow service to be established if the entire amount of any payment due hereunder has not been paid.

(F) Large Subdivision and/or Development Projects: In the event that the Applicant is engaged in the development of a residential subdivision and/or development containing more than 150 lots, the Company may, in its discretion, agree to payment of off-site facilities fees in installments. Such installments may be based on the residential subdivision and/or development's phasing, and should attempt to equitably apportion

**ARIZONA WATER COMPANY  
OFF-SITE FACILITIES FEE (WATER)**

(continued)

the payment of charges hereunder based on the Applicant's construction schedule and water service requirements. In the alternative, the Applicant shall post an irrevocable letter of credit in favor of the Company in a commercially reasonable form, which may be drawn by the Company consistent with the actual or planned construction and hook up schedule for the subdivision and/or development.

(G) Off-Site Facilities Fees Non-refundable: The amounts collected by the Company as off-site facilities fees shall be non-refundable contributions in aid of construction.

(H) Use of Off-Site Facilities Fees Received: All funds collected by the Company as off-site facilities fees shall be deposited into a separate interest bearing bank account and used solely for the purposes of paying for the costs of installation of off-site facilities, including repayment of loans obtained for the installation of off-site facilities that will benefit the entire water system (either all of Valley Vista or Sedona).

(I) Off-Site Facilities Fee in Addition to On-site Facilities: The off-site facilities fee shall be in addition to any costs associated with the construction of on-site facilities under a Main Extension Agreement.

(J) Disposition of Excess Funds: After all necessary and desirable off-site facilities are constructed utilizing funds collected pursuant to this tariff, or if the off-site facilities fee tariff has been terminated by order of the Arizona Corporation Commission, any funds remaining in the bank account shall be refunded. The manner of the refund shall be determined by the Commission at the time a refund becomes necessary.

(K) Fire Flow Requirements: In the event the Applicant for service has fire flow requirements that require additional facilities not covered by this tariff, such additional facilities shall be constructed under a separate Main Extension Agreement as a non-refundable contribution and shall be in addition to the off-site facilities fees.

(L) Status Reporting Requirements to the Commission: The Company shall submit a calendar year off-site facilities fee status report each January 31<sup>st</sup> to Docket Control for the prior twelve (12) month period, beginning January 31, 2014, until the off-site facilities fee tariff is no longer in effect. This status report shall contain a list of all customers that have paid the off-site facilities fee, the amount each has paid, the physical location/address of the property in respect of which such fee was paid, the amount of money spent from the account, the amount of interest earned on the funds within the tariff account, and a list of all facilities (by system location) that have been installed with the tariff funds during the twelve (12) month period.



ARIZONA WATER COMPANY  
Docket No. W-01445A-11-0310  
Calculation of Overall SIB Revenue Requirement and Individual Surcharge  
As of December 31, 2012

Line No.	(A)	(B)	(C)	SIB Surcharge		(E)	(F)	(G)
				Individual Fixed Surcharge	Annual Revenue by Meter Size		Individual Fixed Credit	Annual Refund by Meter Size
	Customer Meter Size	No. of Customers 12/31/2012	5/8 x 3/4-inch Equivalent Meters (C.X.F)					
1								
2								
3								
4								
5								
6								
7								
8	5/8 x 3/4-inch	21,521	21,521	\$ 0.79	\$ 204,518	\$ (0.04)	\$ (10,225.88)	
9	1-inch	1,824	4,559	\$ 1.98	\$ 43,327	\$ (0.10)	\$ (2,168.33)	
10	1 1/2-inch	5	-	\$ 3.98	\$ -	\$ (0.20)	\$ -	
11	2-inch	285	2,278	\$ 6.34	\$ 21,848	\$ (0.32)	\$ (1,082.41)	
12	3-inch	31	492	\$ 12.87	\$ 4,876	\$ (0.63)	\$ (233.78)	
13	4-inch	21	523	\$ 19.80	\$ 4,969	\$ (0.99)	\$ (248.47)	
14	6-inch	25	1,225	\$ 39.60	\$ 11,641	\$ (1.98)	\$ (582.07)	
15	8-inch	2	160	\$ 63.35	\$ 1,521	\$ (3.17)	\$ (78.03)	
16	10-inch	-	-	\$ 91.07	\$ -	\$ (4.55)	\$ -	
17								
18	Totals	23,708	30,758	\$ -	\$ 282,300	\$ -	\$ (14,615)	
19								
20								
21								
22								
23								
24	Overall SIB Revenue Requirement (p. 1, ln. 32)				\$ 282,300			\$ 0.79
25	Individual SIB Fixed Surcharge Per 5/8 x 3/4-inch Equivalent Meter (ln. 24 + col. C, ln. 19 + 12)							
26								
27	Overall SIB Efficiency Credit (p. 1, ln. 36)							\$ (0.04)
28	Individual SIB Fixed Efficiency Credit Per 5/8 x 3/4-inch Equivalent Meter (ln. 28 + col. C, ln. 19 + 12)							
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ARIZONA WATER COMPANY

Docket No. W-01445A-11-0310  
Calculation of Overall SIB True-Up and Individual True-Up Surcharge/Credit  
As of December 31, 2012

SIB Schedule B

		SUPERSTITION	
Line No.		(A)	(B)
1	CALCULATION OF OVERALL SIB REVENUE TRUE-UP FROM PRIOR 12-MONTH SIBA SURCHARGE PERIOD		
2	Overall SIB Revenue Requirement from Prior 12-Month SIB Surcharge Period	\$ 292,300	
3	Overall SIB Efficiency Credit from Prior 12-Month SIB Surcharge Period	\$ (14,615)	
4	Total SIB Revenue Requirement Net of Efficiency Credit - Prior 12-Month SIB Surcharge Period		\$ 277,685
5	Total SIB Surcharge Revenues from Prior 12-Month SIB Surcharge Period	\$ 310,000	
6	Total SIB Efficiency Credit Refunds from Prior 12-Month SIB Surcharge Period	\$ (15,500)	
7	Total SIB Surcharge Revenues Net of Efficiency Credit from Prior 12-Month SIB Surcharge Period		\$ 294,500
8	Net SIB Surcharge Under/(Over)-Collections from Prior 12-Month SIB Surcharge Period (ln. 6 - ln. 7)		(16,815)

Line No.	[A]	[B]	[C]	[D]	[E]
	<b>CALCULATION OF INDIVIDUAL SIB FIXED TRUE-UP SURCHARGE/CREDIT</b>				
1	Customer Meter Size	No. of Customers 12/31/2012	5/8 x 3/4-Inch Equivalent Meters (C x F)	SIB True-Up Surcharge/(Credit) Fixed	Revenue by Meter Size
2	5/8 x 3/4-Inch	21,521	1	\$ (0.05)	\$ (11,768)
3	1-Inch	1,824	2.5	\$ (0.11)	\$ (2,483)
4	1 1/2-Inch	-	5	\$ (0.23)	\$ -
5	2-Inch	285	8	\$ (0.38)	\$ (1,246)
6	3-Inch	31	16	\$ (0.73)	\$ (269)
7	4-Inch	21	25	\$ (1.14)	\$ (286)
8	6-Inch	25	50	\$ (2.28)	\$ (670)
9	8-Inch	2	80	\$ (3.64)	\$ (87)
10	10-Inch	-	115	\$ (5.24)	\$ -
11	Totals	23,708	30,758	\$	\$ (16,815)
12	Net SIB Surcharge Under/(Over)-Collections from Prior 12-Month SIB Surcharge Period (p. 1, ln. 14)				
13					\$ (16,815)
14	Individual SIB Fixed True-Up Surcharge/(Credit) Per 5/8 x 3/4-Inch Equivalent Meter (ln. 24 + col. C, ln. 19 + 12)				
15					(0.05)

ARIZONA WATER COMPANY  
Docket No. W-01445A-11-0310  
Typical Bill Analysis - Residential 5/8 x 3/4-Inch Meter  
As of December 31, 2012

SIB Schedule C									
Line No.	Gallons Consumed	[A] Present Bill	[B] SIB Fixed Surcharge	[C] SIB Efficiency Credit	[D] SIB True-Up Surcharge / Credit	[E] Total Pro Forma Bill	[F] Net SIB Increase	[G] Percent SIB Increase	
1		\$ 22.26	\$ 0.79	(0.04)	(0.05)	\$ 22.97	\$ 0.71	3.2%	
2	1,000	23.89	0.79	(0.04)	(0.05)	24.60	0.71	3.0%	
3	2,000	25.53	0.79	(0.04)	(0.05)	26.23	0.71	2.8%	
4	3,000	27.16	0.79	(0.04)	(0.05)	27.87	0.71	2.6%	
5	4,000	30.49	0.79	(0.04)	(0.05)	31.20	0.71	2.3%	
6	5,000	33.82	0.79	(0.04)	(0.05)	34.52	0.71	2.1%	
7	6,000	37.14	0.79	(0.04)	(0.05)	37.85	0.71	1.9%	
8	7,000	40.47	0.79	(0.04)	(0.05)	41.18	0.71	1.7%	
9	8,000	43.80	0.79	(0.04)	(0.05)	44.50	0.71	1.5%	
10	9,000	47.12	0.79	(0.04)	(0.05)	47.83	0.71	1.4%	
11	10,000	50.45	0.79	(0.04)	(0.05)	51.16	0.71	1.3%	
12	11,000	55.25	0.79	(0.04)	(0.05)	55.95	0.71	1.2%	
13	12,000	60.05	0.79	(0.04)	(0.05)	60.75	0.71	1.1%	
14	13,000	64.84	0.79	(0.04)	(0.05)	65.55	0.71	1.0%	
15	14,000	69.64	0.79	(0.04)	(0.05)	70.35	0.71	0.9%	
16	15,000	74.44	0.79	(0.04)	(0.05)	75.14	0.71	0.7%	
17	20,000	98.42	0.79	(0.04)	(0.05)	99.13	0.71	0.6%	
18	25,000	122.41	0.79	(0.04)	(0.05)	123.11	0.71	0.6%	
19									
20									
21									
22									
23		\$ 38.14	\$ 0.79	(0.04)	(0.05)	\$ 38.85	\$ 0.71	1.9%	
24	Residential Bill at Average Consumption of 6,300 Gallons								
25									
26		\$ 22.28	\$ 0.79	(0.04)	(0.05)	\$ 22.97	\$ 0.71	3.2%	
27	Basic Service Charge								
28									
29	Commodity Rate Per 1,000 Gallons								
30	0 - 3,000 Gallons	\$ 1.6340	n/a	n/a	n/a	n/a	n/a	n/a	
31	3,001 - 10,000 Gallons	\$ 3.3270	n/a	n/a	n/a	n/a	n/a	n/a	
32	Over 10,000 Gallons	\$ 4.7970	n/a	n/a	n/a	n/a	n/a	n/a	
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ARIZONA WATER COMPANY  
Docket No. W-01445A-12-0310  
Fair Value Rate Base, Revenue & Rate of Return  
As of December 31, 2012

SIB Schedule D

	[A]	[B]	[C]	[D]	[E]	[F]	[G]
				SUPERSTITION			
	Per Decision	Net SIB Step-1 Increase	Net SIB Step-2 Increase	Net SIB Step-3 Increase	Net SIB Step-4 Increase	Net SIB Step-5 Increase	Pro Forma With SIB
13326							
Total Operating Revenue	\$ 17,848,923	\$ 277,885	\$ -	\$ -	\$ -	\$ -	\$ 18,126,808
Operating Expenses							
Operations & Maintenance	\$ 8,057,878	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,057,878
Depreciation & Amortization	2,871,894	50,400	-	-	-	-	2,722,084
Taxes Other than Income	1,049,113	-	-	-	-	-	1,049,113
Income Taxes	1,685,023	64,101	-	-	-	-	1,759,124
Total Operating Expenses	\$ 13,473,706	\$ 114,501	\$ -	\$ -	\$ -	\$ -	\$ 13,588,207
Operating Income (Ln. 1 - Ln. 8)	\$ 4,375,217	\$ 163,384	\$ -	\$ -	\$ -	\$ -	\$ 4,538,401
Interest Expense							
Weighted Avg. Cost of Debt	3.34%	3.34%	3.34%	3.34%	3.34%	3.34%	3.34%
Interest Expense (Ln. 13 x Ln. 19)	\$ 1,876,832	\$ 65,914	\$ -	\$ -	\$ -	\$ -	\$ 1,742,748
Net Income (Ln. 10 - Ln. 14)	\$ 2,698,385	\$ 97,270	\$ -	\$ -	\$ -	\$ -	\$ 2,795,655
Rate Base - O.C.L.D.	\$ 50,174,504	\$ 1,972,300	\$ -	\$ -	\$ -	\$ -	\$ 52,146,804
Return on Rate Base - O.C.L.D. (Ln. 10 + Ln. 19)	8.72%	8.27%	0.00%	0.00%	0.00%	0.00%	8.70%
Authorized Return on Rate Base	8.72%	8.72%	8.72%	8.72%	8.72%	8.72%	8.72%
Capital Structure							
Debt %	49.03%	49.03%	49.03%	49.03%	49.03%	49.03%	49.03%
Equity %	50.97%	50.97%	50.97%	50.97%	50.97%	50.97%	50.97%
Total Equity (Ln. 19 x Ln. 27)	\$ 25,573,945	\$ 1,005,281	\$ -	\$ -	\$ -	\$ -	\$ 26,579,226
Authorized Return on Equity	10.55%	10.55%	10.55%	10.55%	10.55%	10.55%	10.55%
Return on Equity (Ln. 16 + Ln. 29)	10.55%	9.68%	0.00%	0.00%	0.00%	0.00%	10.52%

## ARIZONA WATER COMPANY

Docket No. W-01445A-11-0310

Fair Value Rate Base, Revenue &amp; Rate of Return

As of December 31, 2012

## SIB Schedule D

Line No.	[A] Per Decision 73736	[B] Net SIB Step-1 Increase	[C] Net SIB Step-2 Increase	[D] Net SIB Step-3 Increase	[E] Net SIB Step-4 Increase	[F] Net SIB Step-5 Increase	[G] Pro Forma With SIB
1	Total Operating Revenue	\$ 17,848,923	\$ 318,336	\$ -	\$ -	\$ -	\$ 18,167,259
2	Operating Expenses						
3	Operations & Maintenance	\$ 8,057,876	\$ -	\$ -	\$ -	\$ -	\$ 8,057,876
4	Depreciation & Amortization	2,671,694	50,400	-	-	-	2,722,094
5	Taxes Other than Income	1,049,113	-	-	-	-	1,049,113
6	Income Taxes	1,695,023	108,863	-	-	-	1,803,886
7	Total Operating Expenses	\$ 13,473,706	\$ 157,063	\$ -	\$ -	\$ -	\$ 13,630,769
8	Operating Income (Ln. 1 - Ln. 8)	\$ 4,375,217	\$ 161,274	\$ -	\$ -	\$ -	\$ 4,537,091
9	Interest Expense						
10	Weighted Avg. Cost of Debt	3.34%	3.34%	3.34%	3.34%	3.34%	3.34%
11	Interest Expense (Ln. 13 x Ln. 19)	\$ 1,878,832	\$ 65,914	\$ -	\$ -	\$ -	\$ 1,944,746
12	Net Income (Ln. 10 - Ln. 14)	\$ 2,896,385	\$ 95,359	\$ -	\$ -	\$ -	\$ 2,991,744
13	Rate Base - O.C.L.D.	\$ 50,174,604	\$ 1,972,300	\$ -	\$ -	\$ -	\$ 52,146,904
14	Return on Rate Base - O.C.L.D. (Ln. 10 + Ln. 19)	8.72%	8.21%	0.00%	0.00%	0.00%	8.70%
15	Authorized Return on Rate Base	8.72%	8.72%	8.72%	8.72%	8.72%	8.72%
16	Capital Structure						
17	Debt %	49.03%	49.03%	49.03%	49.03%	49.03%	49.03%
18	Equity %	50.97%	50.97%	50.97%	50.97%	50.97%	50.97%
19	Total Equity (Ln. 19 x Ln. 27)	\$ 25,973,945	\$ 1,005,281	\$ -	\$ -	\$ -	\$ 26,979,226
20	Authorized Return on Equity	10.55%	10.55%	10.55%	10.55%	10.55%	10.55%
21	Return on Equity (Ln. 18 + Ln. 29)	10.55%	8.55%	0.00%	0.00%	0.00%	10.51%